Annual Report 2014

Sitara Peroxide Limited

CONTENTS

Corporate Overview

Financial Statements

Vision Statement

Strive to develop and employ innovative technological solutions to add value to business with progressive and proactive approach.
The Leading Chemical Company.
Commitment towards uncompromised Reliability, Quality, Services and Safety.
Assure customer the most complete value package to become chosen partner in customer's view.
High return generation for sustainable growth.
View change as rule of life.
Together with the employees, to ensure success.

Mission Statement

Better bottom line results with well contained risks through continuing growth and diversification.
Create opportunities for success through trusted and reliable partnership.

Company Information

Board of Directors
Mrs. Sharmeen Imran (Chairperson)
Mr. Imran Ghafoor (CEO)
Mr. Muhammad Adrees
Mr. Muhammad Asif Pasha
Mr. Muhammad Khalil
Mr. Saim Bin Saeed
Mr. Waleed Asif

Chief Financial Officer
Mr. Waqas Ashraf (FCA)

Company Secretary
Mr. Mazhar Ali Khan

Head of Internal Audit
Mr. Zia-ul-Mustafa

Audit Committee
Mr. Saim Bin Saeed (Chairman)
Mrs. Sharmeen Imran (Member)
Mr. Waleed Asif (Member)
Mr. Zia-ul-Mustafa (Secretary)

Human Resource and Remuneration Committee
Mr. Muhammad Asif Pasha (Chairman)
Mr. Saim Bin Saeed (Member)
Mr. Waleed Asif (Member)

External Auditors
M/s. M. Yousuf Adil Saleem & Co.,
Chartered Accountants

Legal Advisor
Sahibzada Waqar Arif

Registered Office
601-602 Business Centre, Mumtaz Hassan Road,
Off. I.I. Chundrigar Road, Karachi-74000.
Ph: 021 32401373, 32413944

Company Website
www.sitaraperoxide.com

Bankers
Askari Bank Limited
Al-Baraka Islamic Bank Limited
Bank Alfalah Limited
Faysal Bank Limited
Habib Bank Limited
MCB Bank Limited
Meezan Bank Limited
National Bank Limited
Silk Bank Limited
Soneri Bank Limited
Standard Chartered Bank (Pakistan) Limited
Summit Bank Limited
United Bank Limited

Share Registrar
THK Associates (Private) Limited
Ground Floor, State Life Building No. 3,
Dr. Ziauddin Ahmed Road, Karachi,
75530 P.O. Box No. 8533
UAN : +92 (21) 111-000-322
Fax: +92 (21) 35655595,

Head Office & Project Location
26 - KM Sheikhupura Road, Faisalabad.
Ph : (92 41) 2400900 - 5

Notice of Annual General Meeting

Notice is hereby given that the 11th Annual General Meeting of Sitara Peroxide Limited will be held at Dr. Abdul Qadeer Khan Auditorium, Haji Abdullah Haroon Muslim Gymkhana, Near Shaheen Complex, Aiwan-e-Sadr Road, Karachi, on Tuesday, October 28, 2014 at 4:00 p.m. to transact the following business:

1. To confirm the minutes of Annual General Meeting held on October 29, 2013.

2. To receive, consider and adopt the Annual Audited Accounts of the Company for the year ended June 30, 2014 together with the Reports of the Auditors and Directors thereon.

3. To appoint Auditors for the year ending June 30, 2015 and to fix their remuneration.

4. To transact any other ordinary business of the Company with the permission of the Chair.

By order of the Board

Karachi:

September 29, 2014

MAZHAR ALI KHAN
Company Secretary

NOTES:

CLOSURE OF SHARE TRANSFER BOOKS

The share transfer books of the company will remain closed and no transfer of shares will be accepted for registration from October 21, 2014 to October 28, 2014 (both days inclusive).

PARTICIPATION IN THE ANNUAL GENERAL MEETING

A member entitled to attend and vote at this meeting is entitled to appoint another member as his/her proxy to attend and vote. Proxies in order to be effective must be received at Company's Share Registrar's Office M/s. THK Associates (Pvt) Limited, State Life Building-3, Dr. Ziauddin Ahmed Road, Karachi duly stamped and signed not less than 48 hours before the time of meeting.

CDC ACCOUNT HOLDERS WILL HAVE TO FOLLOW FURTHER UNDER MENTIONED GUIDELINES AS LAID DOWN BY THE SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN.

a For attending the meeting:

i) In case of individuals, the account holders or sub-account holders and/or the persons whose securities are in group account and their registration details are uploaded as per the regulations, shall authenticate their identity by showing their original Computerized National Identity Card (CNIC), or Original Passport at the time of attending the meeting.

ii) In case of Corporate Entities, the Board of Directors' resolution/power of attorney with specimen signature of the nominees shall be produced (unless it has been provided earlier) at the time of the meeting.

b) For appointing proxies:

i) In case of individuals, the account holders or sub account holders and/or the persons whose securities are in group account and their registration details are uploaded as per the regulations, shall submit the proxy form as per the above requirements. The proxy form shall be witnessed by two persons whose names, addresses and CNIC numbers shall be mentioned on the form. Attested copies of CNIC or the passport of the beneficial owners and the proxy shall be furnished with the proxy form. The proxies shall produce their original CNIC or original passport at the time of meeting.

ii) In case of corporate entities, the Board of Directors' resolution/power of attorney with specimen signature of the person nominated to represent and vote on behalf of the corporate entity, shall be submitted (unless it has been provided earlier) along with proxy form to the company's registrar.

CHANGE OF ADDRESS:

Members are requested to promptly notify any change in their addresses.

Directors' Report

The Board of Directors of Sitara Peroxide Limited ("SPL") is pleased to present the annual report and audited financial statements for the financial year ended June 30, 2014.

Business Review

Current financial year continued to be a challenging year for the Hydrogen peroxide industry worldwide. The influx of new capacities internationally coupled with short hydrogen peroxide market and uncertain economic environment in the region have resulted in margins to drop drastically.

However, our plant continued its smooth operations and fulfilled its commitments with customers. The year under review sets a new trajectory for the Company as it achieved highest ever production of hydrogen peroxide. During 2013-14, we produced 25,205 metric tons of 50% hydrogen peroxide and achieved capacity utilization of 84%; which is highest ever in the history of our operations. The Company pursued an aggressive marketing strategy and is working extensively with end users for market development to ensure that additional production should be translated into domestic sales.

In these challenging times, the Company's Management remains steadfast in its business approach and maintained its focus on key controllable factors. In our seven years of operation, the Company has sustained an excellent safety record and adherence to safety policies and procedures.

In addition to high plant production levels, we were able to maximize domestic sales, control fixed costs and repay installments of banking loans despite decrease in margins. We hope to further augment our technical capabilities to control processes and achieve maximum operational efficiency.

Financial Review

	2014	2013
	------------ Rupees	------------
Net sales	1,426,464,277	1,110,400,106
Gross profit	287,237,461	273,846,310
Operational profit	198,202,439	179,542,810
Net profit / (loss) before tax	33,230,577	(9,471,511)
Earnings / (loss) per share – Basic	0.09	(0.34)

During the current year, net sales of the Company increased by 26% as compared to previous financial year. Rise in sales was supported by increased production and trading sales; as prices of hydrogen peroxide almost remained flat throughout the financial year under review. On the other hand, due to increased production and management controls, Cost of sales and operational expenses when compared with last year, increased by merely 4% and 2% respectively, with respect to net sales; increase in Cost of Sales is mainly attributed to rising prices of raw & packing materials and higher power tariffs. Principal repayment of banking loans helped in decrease in Finance cost of the Company by 13% as compared to previous year. Company earned a net profit after tax of Rs. 5 million during current year against loss of Rs. 18.8 million in corresponding year.

Board of Directors

The activities of the Board are based on the requirements and duties laid down under relevant laws and Memorandum and Articles of Association of the Company. This compliance assists the Board in safeguarding the interests of all the stakeholders.

The Board of Directors provides oversight in the governance, management and control of the Company and is responsible for setting the goals, objectives and strategies of the Company and for formulating the policies and guidelines towards achieving those goals and objectives. The Board is accountable to the shareholders for the discharge of its fiduciary function. The Management is responsible for the implementation of the aforesaid goals and strategies in accordance with the policies and guidelines laid down by the Board of Directors. In order to facilitate the smooth running of the day to day affairs of the Company, the Board entrusts the Chief Executive Officer with necessary powers and responsibilities.

During the year, four board meetings were held and attended as follows:

	Director	Meetings held	Meetings attended
i)	Haji Bashir Ahmad (late)	1	1
ii)	Mrs. Sharmeen Imran (Chairperson)	4	4
iii)	Mr. Imran Ghafoor (CEO)	4	4
iv)	Mr. Muhammad Adrees	4	4
v)	Mr. Muhammad Khalil	4	4
vi)	Mr. Muhammad Asif Pasha	4	4
vii)	Mr. Waleed Asif	4	4
viii)	Mr. Saim Bin Saeed	3	3

Haji Bashir Ahmad, founder of Sitara Group of Industries and Chairman of Board of Directors of the Company, passed away on October 04, 2013 اناللہ وانا الیہ راجعون May Allah rest his soul in eternal peace. It was under his leadership that Sitara Group developed into one of the leading industrial groups of Pakistan. For his contributions to the economy of country and industry, he had been conferred with "Sitara-i-Imtiaz", Pakistan's highest civilian award. Besides his industrial ventures, Haji Bashir Ahmed remained active in social activities and had established hospitals and educational institutions for the deprived.

The structure of the Board reflects a combination of executive, non-executive and independent directors. The current Board comprises seven directors which include two executive directors (including the CEO), three non-executive directors and one independent director. The Chairperson of the Board is a non-executive director. The positions of Chairperson and CEO are held by separate individuals with clearly defined roles and responsibilities.

All the directors are elected for a term of three years in Annual General Meeting of the Company held on October 29, 2013; on completion of which they are eligible for re-election under the Company's Articles of Association through a formal election process. "Consent to act as director" had been obtained from each candidate prior to his/her election.

As required by code of corporate governance, all directors are provided with sufficient information of their duties and responsibilities under respective laws and the Company's Memorandum and Articles of Association. Directors, being senior professionals and possessing experience of managing various responsibilities, have adequate exposure to corporate matters. Two directors, one executive and one non-executive, so far have completed their certification. Certification for remaining directors will be obtained in accordance with the Code of Corporate Governance.

The Company has an Audit Committee and a HR & Remuneration Committee of the Board. Composition of these committees is strictly in compliance with guidelines of Code of Corporate Governance.

The Board has put in place a mechanism for performance evaluation by setting realistic, specific, measureable and achievable goals for the year and then evaluation the performance of each member against these goals. The annual review of the Board is based on the progress of the Company in following major functions:

- Corporate governance
- Compliance with regulatory requirements of legal framework
- Value addition for all stakeholders of the Company

- Financial performance of the Company
- Strategic capital expenditures and their payback period
- Operational efficiency and balancing, modernization and replacements
- Employee turnover and retention

Compliance with Corporate Governance

SPL's Board of Directors emphasizes on maintaining high governance standards across the Company. Being collectively responsible for the Company's vision and strategic direction and its values, the Board is accountable for business performance and long-term success of the Company.

Within a framework of internal controls, the Board provides leadership necessary for the Company to meet its performance objectives and achievement of core values. Generally accepted best practices have been implemented in addition to stipulated criteria and voluntary standards, with demonstration of highest levels of moral and ethical values, in addition to decision making based on honesty and responsibility in keeping with business sense, through a top-down approach, flowing downwards to all individuals either serving or closely associated with the Company.

Transparency in our operations and business decisions is prioritized with an equal importance to corporate accountability.

Corporate Governance exists at the very core of our policies for structuring, operating and controlling the Company with a view to achieve long term strategic goals to satisfy shareholders, creditors, employees, customers and the suppliers. Adherence to the best ethical practices and compliance with applicable legal and regulatory requirements is ensured in a manner that is environment and people friendly and supports the local community needs.

Understanding that good corporate governance is an essential prerequisite for the integrity and credibility of any company, building confidence and trust by ensuring fairness and accountability; we surpass the minimum legal requirements for good corporate governance. Our Board has laid down solid foundations, which are reviewed and updated periodically, of oversight and management of the Company, through establishing a clear division of responsibilities between the Chairperson and the Board, recognizing respective roles of the Board and Management, and establishing an effective ethics and compliance framework.

As required under the Code of Corporate Governance, the Directors are pleased to state as follows:

- The financial statements of the Company, prepared by the management, present fairly its state of affairs, the results of its operations, cash flows and the changes in equity.
- Proper books of account have been maintained by the Company.
- Appropriate accounting policies have been consistently applied in preparation of financial statements and the accounting estimates are based on reasonable and prudent judgments.
- International Financial Reporting Standards, as applicable in Pakistan, have been followed in preparation of the financial statements and departures there from, if any, have been adequately disclosed.
- The system of internal control is sound in design and has been effectively implemented and monitored.
- There are no significant doubts on the Company's ability to continue as a going concern.
- There has been no material departure from the best practices of Corporate Governance, as detailed in the Listing Regulations.

Pattern of Shareholding

The pattern of shareholding of the company is annexed. No trading was made in shares of the Company by its Directors, CEO, CFO, Company Secretary, their spouses and minor Children, except as disclosed in pattern of shareholding.

Employee Benefit Plan

The Company operates a non-funded defined benefit plan (gratuity scheme) for its permanent employees. The latest actuarial valuation was carried out on June 30, 2014. The Company has fully paid all obligations against this scheme in 2013-14.

Health, Safety and Environment (HSE)

Your Company continues to conform to the highest safety standards for its employees and contractors' staff. The excellent safety record spanning over seven years without any injury is a testimony in itself.

Human Resource Development

The Management of SPL is committed to induct and retain talented and innovative professionals through a transparent and competitive process while complying with legal and ethical practices and SPL code of conduct, maintaining its resolve to be an equal opportunity employer. SPL's Human Resource strategy is focused on organizing and developing a mature and dynamic Human Capital Management system which should be able to handle the diverse market challenges efficiently. We are focused to keep pace with the rapidly changing environment through evolution and improvement of systems and practices. It has been our earnest endeavor to maintain a transparent and competitive culture in the Company to enable balanced growth of our employees based on merit and competence. The Company considers it a social and moral responsibility to accommodate special persons and provide them equal incentives for career growth and development.

Dividends

Accumulated losses of the Company on balance sheet date stands at 295 million rupees, therefore, Board of Directors has not announced any dividend during the year.

Auditors

The existing auditors M/S M. Yousuf Adil Saleem & Company, Chartered Accountants, shall retire on the conclusion of the 11th Annual General Meeting. Being eligible, they offered themselves for re-appointment as auditors of the Company for financial year ending June 30, 2015. The audit committee has recommended the appointment of aforesaid M/S M. Yousuf Adil Saleem & Company, as external auditors for the financial year ending June 30, 2015.

Risk and opportunity report

Businesses inherently involve opportunities and risks. Effective management of opportunities and risks is therefore a key factor in sustainably safeguarding a company's value. Business success depends on the principle that the risks taken are managed and that they are outweighed by the opportunities offered.

At SPL, effective management forms an integral part of the governance system for timely identification, evaluation and handling of risks through planning, recording and audit systems. Fertilizer market dynamics bring new opportunities and challenges every day. Risks by nature contain a certain level of uncertainty which require us to be vigilant in identification of these risks for timely formulation of mitigating strategies. Major risks and opportunities which SPL can face are categorized below:

Risks

- Modifications in the legal framework by regulatory bodies including natural gas curtailment, axle load management, enhancement in various tariffs and imposition of additional taxes

- Pricing pressures forcing cost cutting
- Market risks including decrease in capacity utilization of customers affecting demand of our product
- Stagnant economy
- Volatile law and order situation
- Increasing production and distribution costs putting pressure on profit margins
- Excessive influx of hydrogen peroxide imported
- Varying international prices of hydrogen peroxide
- Rising import costs due to devaluation of local currency

Opportunities

- Increasing usage of hydrogen peroxide in sectors such as mining, paper and pulp, food processing etc
- Further strengthening of dealer network to maximize our market share

Plans and Strategies to Mitigate Risks and Capitalize Opportunities

Effective risk management consists of combining the capacity to prepare for risk with the ability to cope with the results and costs versus the probable benefit. Our plans and strategies to effectively mitigate the risks and capitalize on the opportunities are based on the following principles:

- Continuously gauging customer sensitivity
- Learning from "Best Practices"
- Scenario planning and sensitivity analysis
- Identifying market gaps
- Improving organizational learning

Future Outlook

While ensuring we return to profitability, we will continue to identify and implement sustainable ways of doing business. As we look towards financial year 2014-15, we are excited about our business opportunities. The demand for hydrogen peroxide in Pakistan is increasing, and we strive to gain a stronger market presence by remaining committed to our goals. Our focus remains to reduce costs, maintain quality, and surpass output levels.

Acknowledgement

As our Company completes another year - one thing remains the same – our unwavering commitment to our stakeholders - our employees, suppliers, bankers, business partners and shareholders. We express our gratitude for their support and trust over the years and we look forward to their continued collaboration with the Company.

For and on behalf of the
Board of Directors

September 29, 2014
Faisalabad

IMRAN GHAFOOR
Chief Executive Officer

Six Years Financial Summary

Six Years Financial Summary

		2014-13	2012-13	2011-12	2010-11	2009-10	2008-09
		Rupees in "000"					
Profit and Loss Account							
Net Sales		1,426,464	1,110,400	985,001	1,289,332	714,986	627,121
Gross Profit		287,237	273,487	152,513	503,484	20,141	101,247
Operating Profit		189,727	177,834	74,520	432,147	(29,097)	57,886
Profit / (loss) before tax		33,231	(9,921)	(172,113)	179,435	(272,888)	(188,047)
Profit / (loss) after tax		5,013	(19,228)	(198,634)	166,251	(179,146)	(99,907)
Balance Sheet							
Property, plant and equipment		2,490,671	1,832,861	2,019,742	2,248,853	2,259,948	2,386,364
Long term advances		3,905	46,205	46,005	3,705	3,705	8,115
Current assets		855,528	709,978	668,874	622,855	457,794	572,625
Current liabilites		718,817	805,416	1,077,233	791,413	625,265	725,797
Non-current liabilities		1,353,100	1,094,672	949,203	1,177,182	1,355,614	1,321,594
Share capital		551,000	551,000	551,000	551,000	551,000	551,000
Shaeholders equity		294,860	261,247	248,549	417,790	219,692	369,365
Surplus on revaluation		983,328	427,709	459,635	489,029	520,875	550,348
Financial Ratios							
Gross Profit to Sales	(%)	20.14	24.63	15.48	39.05	2.82	16.14
Net Profit to Sales	(%)	0.35	(1.73)	(20.17)	12.89	(25.06)	(15.93)
Return on Equity	(%)	1.70	(7.36)	(79.92)	39.79	(81.54)	(27.05)
Return on Capital Employed	(%)	0.19	(1.08)	(11.86)	7.98	(8.55)	(4.46)
Current Ratio	times	1.19	0.88	0.63	0.79	0.73	0.79
Quick ratio	times	0.47	0.34	0.23	0.31	0.32	0.32
Earnings per share - Basic and diluted	Rupees	0.09	(0.34)	(3.60)	3.02	(3.25)	(1.81)
Price Earning Ratio	times	146.63	(33.96)	(3.52)	4.42	(4.83)	(13.98)
Market Value per share (at year end)	Rupees	13.59	12.73	9.90	16.75	9.29	19.03
Market value per share (lowest)	Rupees	12.00	9.55	8.73	7.67	8.61	15.01
Market value per share (highest)	Rupees	20.13	15.62	17.95	19.99	22.19	55.58
Breakup value of share with revaluation surplus	Rupees	23.20	12.50	12.85	16.46	13.44	16.69

Pattern of Shareholding

AS AT JUNE 30, 2013

NUMBER OF SHAREHOLDERS	SHAREHOLDINGS		TOTAL NUMBER OF SHARES
	FROM	TO	
536	1	100	9,848
5,777	101	500	2,866,503
1,125	501	1,000	1,111,865
1,423	1,001	5,000	3,899,855
320	5,001	10,000	2,618,066
105	10,001	15,000	1,378,251
75	15,001	20,000	1,393,452
38	20,001	25,000	909,500
26	25,001	30,000	740,101
12	30,001	35,000	405,900
15	35,001	40,000	578,409
7	40,001	45,000	305,500
16	45,001	50,000	783,883
1	50,001	55,000	51,000
1	55,001	60,000	60,000
3	60,001	65,000	188,250
3	65,001	70,000	206,000
3	70,001	75,000	219,500
1	75,001	80,000	76,000
3	80,001	85,000	245,000
10	95,001	100,000	1,000,000
2	100,001	105,000	201,001
1	115,001	120,000	120,000
4	120,000	125,000	493,500
1	125,001	130,000	125,370
1	130,001	135,000	132,500
1	135,001	140,000	135,500
2	145,001	150,000	298,162
1	150,001	155,000	152,717
1	175,001	180,000	177,000
1	185,001	190,000	190,000
1	190,001	195,000	192,000
1	195,001	200,000	200,000
1	205,001	210,000	210,000
1	245,001	250,000	250,000
1	270,001	275,000	274,325
1	275,001	280,000	280,000
1	315,001	320,000	320,000
1	320,001	325,000	324,500
1	340,001	345,000	341,500
1	375,001	380,000	380,000
1	395,001	400,000	400,000
1	415,001	420,000	416,666
1	500,001	505,000	500,455
1	645,001	650,000	648,500
1	740,001	745,000	742,000
1	995,001	1,000,000	1,000,000
2	1,995,001	2,000,000	3,997,921
1	2,620,001	2,625,000	2,624,435
1	3,495,001	3,500,000	3,500,000
1	17,425,001	17,430,000	17,425,065
9,536			**55,100,000**

Pattern of Shareholding

AS AT JUNE 30, 2014

	Number	Share Held	Percentage
Associated Companies, Undertakings and Related Parties			
Sitara Chemical Industries Limited	1	3,500,000	6.35
Directors, CEO and their Spouse and Minor Children			
Mr. Imran Ghafoor	1	17,425,065	31.62
Mrs. Sharmeen Imran	2	2,634,435	4.78
Mr. Muhammad Adrees	1	35,000	0.06
Mr. Muhammad Khalil	1	1,000	0.00
Mr. Muhammad Asif Pasha *	1	1,000	0.00
Mr. Waleed Asif **	1	1,000	0.00
Mr. Saim Bin Saeed	1	500	0.00
Banks, Development Finance Institutions, Non-Banking Finance Institutions	2	2,500	0.00
Mudarabas and Mutual Funds	1	10,000	0.02
Charitable Trusts	1	5,000	0.01
Foreign Companies	1	5,000	0.01
General Public (Local)	9,427	30,062,234	54.56
General Public (Foreign)	50	404,377	0.73
Joint Stock Companies	45	1,012,889	1.84
	9,536	55,100,000	100.00

Except the following, there was no trading of shares of the Company by Directors, Executives, Company Secretary, Head of Internal Audit Department, Chief Financial Officer and their spouses or minor children during 2013-2014.

* Mr. Muhammad Asif Pasha (director of the Company) sold 4,000 shares during the year.
** Mr. Saim Bin Saeed (Director of the Company) acquired 500 qualification shares during the year.

Following persons have shareholding of 5% and above in the Company.

Mr. Imran Ghafoor (CEO)	17,425,065
Sitara Chemical Industries Limited	3,500,000

The Board has determined threshold under clause xvi (I) of Code of Corporate Governance 2012 in respect of trading of Company's shares by executives and employees who are drawing annual basic salary of Rs. 2.4 million or more.

None of the employee of the Company has made any trading of shares of the Company who falls beyond the threshold of Rs. 2.4 million annual basic salary.

Review Report to the Members on the Statement of Compliance with the Code of Corporate Governance

We have reviewed the enclosed Statement of Compliance with the best practices contained in the Code of Corporate Governance (the Code) prepared by the Board of Directors of Sitara Peroxide Limited for the year ended June 30, 2014 to comply with the requirements of Listing Regulations No. 35 of the Karachi Stock Exchange where the Company is listed.

The responsibility for compliance with the Code is that of the Board of Directors of the Company. Our responsibility is to review, to the extent where such compliance can be objectively verified, whether the Statement of Compliance reflects the status of the Company's compliance with the provisions of the Code and report if it does not and to highlight any non-compliance with the requirement of the Code. A review is limited primarily to inquiries of the Company's personnel and review of various documents prepared by the Company to comply with the Code.

As part of our audit of financial statements we are required to obtain an understanding of the accounting and internal control systems sufficient to plan the audit and develop an effective audit approach. We are not required to consider whether the Board of Directors statement on internal controls covers all risks and controls or to form an opinion on the effectiveness of such internal controls, the Company's corporate governance procedures and risks.

The Code requires the Company to place before the Audit Committee, and upon recommendation of Audit Committee, place before the Board of Directors for their review and approval its related party transactions distinguishing between transactions carried out on terms equivalent to those that prevail in arm's length transactions and transactions which are not executed at arm's length price and recording proper justification for using such alternate pricing mechanism. We are only required and have ensured compliance of this requirement to the extent of approval of related party transactions by the Board of Directors upon recommendation of Audit Committee. We have not carried out any procedures to determine whether the related party transactions were undertaken at arm's length price or not.

Based on our review, nothing has come to our attention which causes us to believe that the Statement of Compliance does not appropriately reflect the Company's compliance, in all material respects, with the best practices contained in the Code as applicable to the Company for the year ended June 30, 2014.

M. Yousuf Adil Saleem

Chartered Accountants

Engagement Partner:
Talat Javed

September 29, 2014
Multan

Statement of Compliance with the Code of Corporate Governance Sitara Peroxide Limited for the Year Ended June 30, 2014

This statement is being presented to comply with the Code of Corporate Governance (CCG) contained in Regulation No. 35 of listing regulations of Karachi Stock Exchange for the purpose of establishing a framework of good governance, whereby a listed Company is managed in compliance with the best practices of corporate governance.

The company has applied the principles contained in the CCG in the following manner:

1. The Company encourages representation of independent, non-executive directors and directors representing minority interest on its Board of Directors (the Board).The Board comprises of seven individuals; one independent, four non-executive and two executive directors. At present the Board includes;

Category	Director Name
Executive	Mr. Imran Ghafoor
Executive	Mr. Muhammad Khalil
Non-Executive	Mr. Muhammad Adrees
Non-Executive	Mrs. Sharmeen Imran
Non-Executive	Mr. Muhammad Asif Pasha
Non-Executive	Mr. Waleed Asif
Independent	Mr. Saim Bin Saeed

The independent director meets the criteria of independence under clause i (b) of the CCG.

2. The directors have confirmed that none of them is serving as a director on board of more than seven listed companies, including this Company.

3. All the resident directors of the Company are registered as tax payers and none of them has defaulted in payment of any loan to a banking company, a DFI or an NBFI. None of the directors is member of stock exchange.

4. Casual vacancy was occurred on the board on October 04, 2013 due to the sad demise of one director which was filled up in election of directors in Annual General Meeting of the Company held on October 29, 2013.

5. The Company has prepared a 'Code of Conduct' and has ensured that appropriate steps have been taken to disseminate it throughout the company along with its supporting policies and procedures.

6. The Board has developed a vision/mission statement, overall corporate strategy and significant policies of the Company. A complete record of particulars of significant policies along with the dates on which they were approved or amended has been maintained.

7. All powers of the Board have been duly exercised and decisions on material transactions, including appointment and determination of remuneration and terms and conditions of employment of the CEO, other executive and non-executive directors, have been taken by the Board/shareholders.

8. The meetings of the board were presided over by the Chairman and, in his absence, by a director elected by the Board for this purpose and the Board met at least once in every quarter. Written notices of the board meetings, along with agenda and working papers, were circulated at least seven days before the meetings. The minutes of the meetings were appropriately recorded and circulated.

9. In accordance with the criteria specified in clause (xi) of CCG, two of the seven Directors of the Company are exempted from the requirement of directors' training program, while two directors have got certified with directors training program up to June 30, 2014. Further rest of the Directors will undertake Directors Training Program within specified time.

10. The Board has approved appointment of CFO, Company Secretary and Head of Internal Audit including their remuneration and terms and conditions of employment.

11. The directors' report for this year has been prepared in compliance with the requirements of the CCG and fully describes the salient matters required to be disclosed.

12. The financial statements of the Company were duly endorsed by CEO and CFO before approval of the Board.

13. The Directors, CEO and Executives do not hold any interest in the shares of the Company other than that disclosed in the pattern of shareholding.

14. The Company has complied with all the corporate and financial reporting requirements of the CCG

15. The Board has formed an Audit Committee. It comprises three members of whom two are non-executive direcotrs and the chairman of the Committee is an independent director.

16. The meetings of the audit committee were held at least once every quarter prior to approval of interim and final results of the Company and as required by the CCG. The terms of reference of the committee have been formed and advised to the committee for compliance.

17. The board has formed Human Resource and Remuneration Committee. It comprises of three members of whom two are non-executive directors and the chairman of the Committee is an independent director.

18. The Board has set up an effective internal audit function which is considered suitably qualified and experience for the purpose and is conversant with the policies and procedures of the Company.

19. The Statutory auditors of the Company have confirmed that they have been given a satisfactory rating under the quality control review program of the Institute of Chartered Accountants of Pakistan (ICAP), that they or any of the partners of the firm, their spouses and minor children do not hold shares of the Company and that the firm and all its partners are in compliance with International Federation of Accountants (IFAC) guidelines on Code of Ethics as adopted by the ICAP.

20. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the Listing Regulations and the auditors have confirmed that they have observed IFAC guidelines in this regard.

21. The "closed period", prior to the announcement of interim/final results, and business decisions, which may materially affect market price of Company's securities, was determined and intimated to the directors, employees and Karachi Stock Exchange Limited.

22. Material/price sensitive information has been disseminated among all market participants at once through the Karachi Stock Exchange Limited.

23. We confirm that all other material principles enshrined in the CCG have been complied with.

CHIEF EXECUTIVE OFFICER

DIRECTOR

September 29, 2014
Faisalabad

Auditors' Report to the Members

We have audited the annexed balance sheet of Sitara Peroxide Limited ("the Company") as at June 30, 2014 and the related profit and loss account, statement of comprehensive income, cash flow statement and statement of changes in equity together with the notes forming part thereof, for the year then ended and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

It is the responsibility of the Company's management to establish and maintain a system of internal control, and prepare and present the above said statements in conformity with the approved accounting standards and the requirements of the Companies Ordinance, 1984. Our responsibility is to express an opinion on these statements based on our audit.

We conducted our audit in accordance with the auditing standards as applicable in Pakistan. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the above said statements are free of any material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the above said statements. An audit also includes assessing the accounting policies and significant estimates made by management, as well as, evaluating the overall presentation of the above said statements. We believe that our audit provides a reasonable basis for our opinion and, after due verification, we report that:

(a) In our opinion, proper books of account have been kept by the Company as required by the Companies Ordinance, 1984;

(b) In our opinion-

(i) The balance sheet and profit and loss account together with the notes thereon have been drawn up in conformity with the Companies Ordinance, 1984, and are in agreement with the books of accounts and are further in accordance with accounting policies consistently applied except for the changes as stated in note 2.2 with which we concur;

(ii) The expenditure incurred during the year was for the purpose of the Company's business; and

(iii) The business conducted, investments made and the expenditure incurred during the year were in accordance with the objects of the Company;

(c) In our opinion and to the best of our information and according to the explanations given to us, the balance sheet, profit and loss account, statement of comprehensive income, cash flow statement and statement of changes in equity together with the notes forming part thereof conform with the approved accounting standards as applicable in Pakistan, and give the information required by the Companies Ordinance, 1984, in the manner so required and respectively give a true and fair view of the state of the Company's affairs as at June 30, 2014 and of the profit, total comprehensive income, its cash flows and changes in equity for the year then ended; and

(d) In our opinion no Zakat was deductible at source under Zakat and Ushr Ordinance, 1980 (XVIII of 1980).

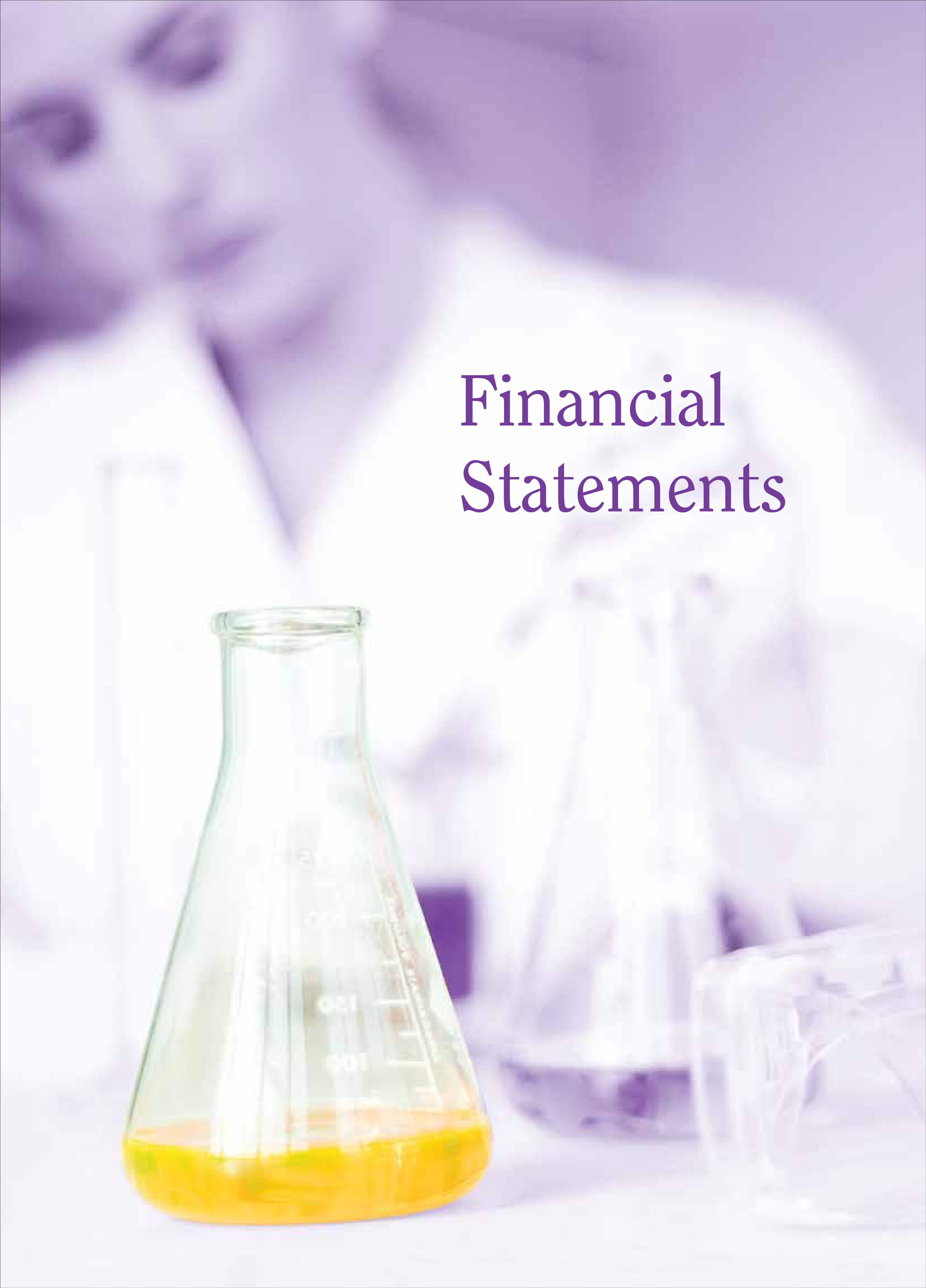
M. Yousuf Adil Saleem

Chartered Accountants

Engagement Partner:
Talat Javed

Date: September 29, 2014
Multan

Financial Statements



Balance Sheet

	Note	2014	2013
		Rupees	(Restated)
ASSETS			
Non-current assets			
Property, plant and equipment	4	2,490,671,198	1,832,861,429
Long term advances and deposits	5	3,905,000	5,205,000
		2,494,576,198	1,838,066,429
Current assets			
Stores, spare parts and loose tools	6	91,315,479	70,054,497
Stock in trade	7	521,114,471	438,579,847
Trade debts	8	31,184,709	35,557,733
Advances	9	96,137,520	103,212,816
Deposits and short term prepayments	10	23,874,259	22,792,839
Sales tax refundable	11	91,054,056	64,808,319
Cash and bank balances	12	847,908	15,972,007
		855,528,402	750,978,058
Total assets		3,350,104,600	2,589,044,487

The annexed notes from 1 to 40 form an integral part of these financial statements.

CHIEF EXECUTIVE OFFICER

DIRECTOR

As at June 30, 2014

	Note	2014	2013
		Rupees	(Restated)
EQUITY AND LIABILITIES			
Equity			
Share capital	13	551,000,000	551,000,000
Accumulated losses		(256,140,395)	(291,847,959)
		294,859,605	259,152,041
Surplus on revaluation of property, plant and equipment	14	983,327,979	427,709,455
Non-current liabilities			
Long term financing	15	893,735,288	987,829,376
Liabilities against assets subject to finance lease	16	604,818	6,255,827
Deferred liabilities	17	320,418,033	29,137,611
Deferred mark-up	18	138,342,357	73,544,266
		1,353,100,496	1,096,767,080
Current liabilities			
Trade and other payables	19	193,825,769	126,249,012
Accrued mark-up	20	27,315,264	33,005,516
Short term borrowings	21	261,175,926	415,612,810
Current portion of long term financing	15	221,390,536	220,291,677
Current portion of liabilities against assets subject to finance lease	16	628,349	4,540,246
Provision for taxation		14,480,676	5,716,650
		718,816,520	805,415,911
Contingencies and commitments	22		
Total equity and liabilities		3,350,104,600	2,589,044,487

The annexed notes from 1 to 40 form an integral part of these financial statements.

CHIEF EXECUTIVE OFFICER

DIRECTOR

Profit And Loss Account for the Year Ended June 30, 2014

	Note	2014	2013
		Rupees	(Restated)
Sales	23	1,426,464,277	1,110,400,106
Cost of sales	24	(1,139,226,816)	(836,553,796)
Gross profit		287,237,461	273,846,310
Other income	25	8,475,844	1,259,339
		295,713,305	275,105,649
Distribution cost	26	33,925,626	38,662,283
Administrative expenses	27	57,260,646	54,122,850
Other expenses	28	6,324,594	2,777,706
Finance cost	29	164,971,862	189,014,321
		(262,482,728)	(284,577,160)
Profit / (loss) before taxation		33,230,577	(9,471,511)
Provision for taxation	30	(28,217,660)	(9,307,350)
Profit / (loss) for the year		5,012,917	(18,778,861)
Earnings / (loss) per share - basic and diluted	31	0.09	(0.34)

The annexed notes from 1 to 40 form an integral part of these financial statements.

CHIEF EXECUTIVE OFFICER

DIRECTOR

Total Comprehensive Income for the Year Ended June 30, 2014

	Note	2014	2013 (Restated)
		Rupees	
Profit / (loss) for the year		5,012,917	(18,778,861)
Items that will subsequently not be reclassified to profit and loss account			
- Remeasurement on defined benefit obligation	17.1	601,230	(936,453)
- Relevant tax		(204,418)	318,394
		396,812	(618,059)
Items that may subsequently be reclassified to profit and loss account		-	-
Total comprehensive income for the year		5,409,729	(19,396,920)

The annexed notes from 1 to 40 form an integral part of these financial statements.

CHIEF EXECUTIVE OFFICER

DIRECTOR

Cash Flow Statement for the Year Ended June 30, 2014

	Note	2014	2013
		----- Rupees -----	(Restated)
A. A. CASH FLOWS FROM OPERATING ACTIVITIES			
Profit / (loss) before taxation		33,230,577	(9,471,511)
Adjustments for:			
Depreciation on property, plant and equipment		169,547,267	171,176,778
Provision for staff retirement benefits - gratuity		4,284,833	3,938,969
Finance cost		164,971,862	189,014,321
Gain on disposal of property, plant and equipment		(2,766,159)	-
Profit on bank deposits		(3,605,211)	(1,146,239)
		365,663,169	353,512,318
Working capital changes			
(Increase) / decrease in current assets			
Stores, spare parts and loose tools		(21,260,982)	(5,455,376)
Stock in trade		(82,534,624)	(16,663,946)
Trade debts		4,373,024	(28,673,585)
Advances		30,911,507	38,509,973
Deposits and short term prepayments		(1,081,420)	5,810,743
Sales tax refundable		(26,245,737)	(19,981,396)
Increase /(decrease) in current liabilities			
Trade and other payables		67,576,757	(20,136,433)
		(28,261,475)	(46,590,020)
Cash generated from operations		337,401,694	306,922,298
Finance cost paid		(105,864,023)	(161,766,342)
Staff retirement benefits - gratuity paid		(1,561,791)	(968,238)
Income taxes paid - net		(29,696,792)	(19,819,379)
Profit received on saving account		3,605,211	1,146,239
		(133,517,395)	(181,407,720)
Net cash from operating activities		203,884,299	125,514,578
B. CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment		(5,404,633)	(23,386,095)
Proceeds from disposal of property, plant and equipment		35,600,000	-
Proceeds from advances for capital work in progress		6,491,256	40,700,000
Decrease / (increase) in long-term deposits		1,300,000	(200,000)
Net cash from investing activities		37,986,623	17,113,905
C. CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from long term financing		137,150,000	-
Repayment of long term financing		(230,145,231)	(102,827,762)
Lease rentals paid		(9,562,906)	(3,292,079)
Net cash used in financing activities		(102,558,137)	(106,119,841)
Net increase in cash and cash equivalents (A+B+C)		139,312,785	36,508,642
Cash and cash equivalents at beginning of the year		(399,640,803)	(436,149,445)
Cash and cash equivalents at end of the year	32	(260,328,018)	(399,640,803)

The annexed notes from 1 to 40 form an integral part of these financial statements.

CHIEF EXECUTIVE OFFICER

DIRECTOR

Statement of Changes in Equity for the Year Ended June 30, 2014

	Share capital	Accumulated losses	Total
	------------	Rupees	------------
Balance as at June 30, 2012 - as orignally stated	551,000,000	(302,450,712)	248,549,288
Effect of remeasurement of definded benefit obligation - net of tax		(1,926,105)	(1,926,105)
Balance as at June 30, 2012 - restated	551,000,000	(304,376,817)	246,623,183
Loss for the year - restated	-	(18,778,861)	(18,778,861)
Other comprehensive income - restated	-	(618,059)	(618,059)
Total comprehensive inome - restaed	-	(19,396,920)	(19,396,920)
Incremental depreciation charged during the year transferred to accumulated losses - net of tax	-	31,925,778	31,925,778
Balance as at June 30, 2013 - restated	551,000,000	(291,847,959)	259,152,041
Profit for the year	-	5,012,917	5,012,917
Other comprehensive income	-	396,812	396,812
Total comprehensive income	-	5,409,729	5,409,729
Incremental depreciation charged during the year transferred to accumulated losses - net of tax	-	30,297,835	30,297,835
Balance as at June 30, 2014	551,000,000	(256,140,395)	294,859,605

The annexed notes from 1 to 40 form an integral part of these financial statements.

CHIEF EXECUTIVE OFFICER

DIRECTOR

Notes to the Financial Statements For The Year Ended June 30, 2014

1. GENERAL INFORMATION

1.1 Sitara Peroxide Limited ("the Company") is limited by shares, incorporated in Pakistan on March 08, 2004 as a public limited company under the Companies Ordinance, 1984. The Company is listed on Karachi Stock Exchange. The registered office of the Company is situated at 601-602, Business Centre, Mumtaz Hassan Road, Karachi in the province of Sindh and the manufacturing facilities are located at 26-KM Sheikhupura Road, Faisalabad in the province of Punjab.

The principal activity of the Company is manufacturing and sale of hydrogen peroxide (H_2O_2).

1.2 The financial statements are presented in Pak Rupee, which is the Company's functional and presentation currency.

2. STATEMENT OF COMPLIANCE AND SIGNIFICANT ESTIMATES

2.1 Statement of compliance

These financial statements have been prepared in accordance with the approved accounting standards as applicable in Pakistan. Approved accounting standards comprise of such International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) as notified under the provisions of the Companies Ordinance, 1984, the requirements of the Companies Ordinance, 1984 and the directives issued by the Securities and Exchange Commission of Pakistan (SECP). Wherever the requirements of the Companies Ordinance, 1984 or the directives issued by the SECP differ with the requirements of the IFRS, the requirements of the Companies Ordinance, 1984, and the said directives shall take precedence.

2.2 Standards, interpretation and amendment adopted during the year

The following amendments to existing standards have been published that are applicable to the Company's financial statements covering annual periods, beginning on or after the following dates:

2.2.1 Standards, amendments to published standards and interpretations that are effective in current year and are relevant to the Company's operations

Following are the amendments that are applicable for accounting periods beginning on or after July 1, 2013:

2.2.2 New accounting standards / amendments and IFRS interpretations that are effective for the year ended June 30, 2014.

The following standards, amendments and interpretations are only effective for accounting periods, beginning on or after the date mentioned against each of them. These standards, interpretations and the amendments are either not relevant to the Company's operations or are not expected to have significant impact on the Company's financial statements.

Amendments to IAS 1 - Presentation of Financial Statements – Clarification of Requirements for Comparative information

Effective from accounting period beginning on or after January 01, 2013

This improvement clarifies the difference between voluntary additional comparative information and the minimum required comparative information. Generally, the minimum required comparative information is the previous period.

Amendments to IAS 16 - Property, Plant and Equipment – Classification of servicing equipment

Effective from accounting period beginning on or after January 01, 2013

This improvement clarifies that major spare parts and servicing equipment that meet the definition of property, plant and equipment are not inventory.

Amendments to IAS 32 Financial Instruments: Presentation - Tax effects of distributions to holders of an equity instrument, and transaction costs of an equity transaction

Effective from accounting period beginning on or after January 01, 2013

This improvement clarifies that income taxes arising from distributions to equity holders are accounted for in accordance with IAS 12 Income Taxes.

Amendments to IAS 34 - Interim Financial Reporting - Interim reporting of segment information for total assets and total liabilities

Effective from accounting period beginning on or after January 01, 2013

The amendment aligns the disclosure requirements for total segment assets with total segment liabilities in interim financial statements. This clarification also ensures that interim disclosures are aligned with annual disclosures.

Amendments to IFRS 7 Financial Instruments: Disclosures - Offsetting financial assets and financial liabilities

Effective from accounting period beginning on or after January 01, 2013

These amendments require an entity to disclose information about rights to set-off and related arrangements. The disclosures would provide users with information that is useful in evaluating the effect of netting arrangements on an entity's financial position. The new disclosures are required for all recognized financial instruments that are set off in accordance with IAS 32 Financial Instruments: Presentation. The disclosures also apply to recognized financial instruments that are subject to an enforceable master netting arrangement or similar agreement, irrespective of whether they are set off in accordance with IAS 32.

IFRIC 20 - Stripping Costs in the Production Phase of a Surface Mine

Effective from accounting period beginning on or after January 01, 2013

This interpretation applies to waste removal (stripping) costs incurred in surface mining activity, during the production phase of the mine. The interpretation addresses the accounting for the benefit from the stripping activity.

2.2.3 New accounting standards and IFRS interpretations that are not yet effective

The following standards, amendments and interpretations are only effective for accounting periods, beginning on or after the date mentioned against each of them. These standards, interpretations and the amendments are either not relevant to the Company's operations or are not expected to have significant impact on the Company's financial statements other than certain additional disclosures.

Amendments to IAS 19 Employee Benefits: Employee contributions	**Effective from accounting period beginning on or after July 01, 2014**

This amendment clarifies the application of IAS 19, 'Employee benefits' (2011) – referred to as 'IAS 19R', to plans that require employees or third parties to contribute towards the cost of benefits. The amendment does not affect the accounting for voluntary contributions. The 2011 revisions to IAS 19 distinguished between employee contributions related to service and those not linked to service. The current amendment further distinguishes between contributions that are linked to service only in the period in which they arise and those linked to service in more than one period. The amendment allows contributions that are linked to service, and do not vary with the length of employee service, to be deducted from the cost of benefits earned in the period that the service is provided.

IAS 27 (Revised 2011) - Separate Financial Statments	**Effective from accounting period beginning on or after January 01, 2015. IAS 27 (Revised 2011) will concurrently apply with IFRS 10**

The revised Standard sets out the requirements regarding separate financial statements only. Most of the requirements in the revised Standard are carried forward unchanged from the previous Standard. The IASB has issued recently the amendment to IAS 27 wherein it has allowed to follow the equity method in the separate financial statements also. These amendments will be effective from January 01, 2016 with earlier application allowed.

IAS 28 (Revised 2011) - Investments in Associates and Joint Ventures	**Effective from accounting period beginning on or after January 01, 2013**

Similar to the previous Standard, the new Standard deals with how to apply the equity method of accounting. However, the scope of the revised Standard has been changed so that it covers investments in joint ventures as well because IFRS 11 requires investments in joint ventures to be accounted for using the equity method of accounting.

Amendments to IAS 32 Financial Instruments: Presentation - Offsetting financial assets and financial liabilities	**Effective from accounting period beginning on or after January 01, 2014**

These amendments clarify the meaning of "currently has a legally enforceable right to set-off". It will be necessary to assess the impact to the entity by reviewing settlement procedures and legal documentation to ensure that offsetting is still possible in cases where it has been achieved in the past. In certain cases, offsetting may no longer be achieved. In other cases, contracts may have to be renegotiated. The requirement that the right of set-off be available for all counterparties to the netting agreement may prove to be a challenge for contracts where only one party has the right to offset in the event of default.

IAS 36 Impairment of Assets - Recoverable Amount Disciosures for Non-Financial Assets	**Effective from accounting period beginning on or after January 01, 2014**

The amendments remove the requirement to disclose the recoverable amount of a cash-generating unit (or group of cash-generating units) to which a significant amount of goodwill or intangible assets with indefinite useful lives has been allocated in periods when no impairment or reversal has been recognized (this requirement having been inadvertently introduced as part of consequential amendments on the introduction of IFRS 13; and introduce additional disclosure requirements in respect of assets for which an impairment has been recognized or reversed and for which the recoverable amount is determined using fair value less costs of disposal.

IAS 39 Financial Instruments: Recognition and Measurement - Novation of Derivatives and Continuation of Hedge Accounting	**Effective from accounting period beginning on or after January 01, 2014**

The amendment allows the continuation of hedge accounting (under IAS 30 and IFRS 9 chapter on hedge accounting) when a derivative is novated to a clearing counterparty and certain conditions are met.

IFRS 10 - Consolidated Financial Statement	**Effective from accounting period beginning on or after January 01, 2015**

IFRS 10 replaces the part of IAS 27 Consolidated and Separate Financial Statements that deals with consolidated financial statements and SIC 12 Consolidation - Special Purpose Entities. Under IFRS 10, there is only one basis for consolidation for all entities, and that basis is control. This change is to remove the perceived inconsistency between the previous version of IAS 27 and SIC 12; the former used a control concept while the latter placed greater emphasis on risks and rewards. IFRS 10 includes a more robust definition of control in order to address unintentional weaknesses of the definition of control set out in the previous version of IAS 27.

Specific transitional provisions are given for entities that apply IFRS 10 for the first time. Specifically, entities are required to make the ‘control’ assessment in accordance with IFRS 10 at the date of initial application, which is the beginning of the annual reporting period for which IFRS 10 is applied for the first time. No adjustments are required when the ‘control’ conclusion made at the date of initial application of IFRS 10 is the same before and after the application of IFRS 10. However, adjustments are required when the ‘control’ conclusion made at the date of initial application of IFRS 10 is different from that before the application of IFRS 10.

IFRS 11 - Joint Arrangements	**Effective from accounting period beginning on or after January 01, 2015**

IFRS 11 replaces IAS 31 Interest in Joint Ventures and SIC 13 Jointly Controlled Entities – Non monetary Contributions by Venturers. IFRS 11 deals with how a joint arrangement should be classified where two or more parties have joint control. There are two types of joint arrangements under IFRS 11: joint operations and joint ventures. These two types of joint arrangements are distinguished by parties' rights and obligations under the arrangements. Under IFRS 11, the existence of a separate vehicle is no longer a sufficient condition for a joint arrangement to be classified as a joint venture whereas, under IAS 31, the establishment of a separate legal vehicle was the key factor in determining whether a joint arrangement should be classified as a jointly controlled entity.

IFRS 12 - Disclosure of Interests in Other Entities	**Effective from accounting period beginning on or after January 01, 2015**

IFRS 12 is a new disclosure Standard that sets out what entities need to disclose in their annual consolidated financial statements when they have interests in subsidiaries, joint arrangements, associates or unconsolidated structured entities (broadly the same as special purpose entities under SIC 12). IFRS 12 aims to provide users of financial statements with information that helps evaluate the nature of and risks associated with the reporting entity's interest in other entities and the effects of those interests on its financial statements.

IFRIC 21 - Levies	**Effective from accounting period beginning on or after January 01, 2014**

IFRIC 21 defines a levy as a payment to a government for which an entity receives no specific goods or services. A liability is recognised when the obligating event occurs. The obligating event is the activity that triggers payment of the levy. This is typically specified in the legislation that imposes the levy.

IFRS 13 - Fair Value Measurement	**Effective from accounting period beginning on or after January 01, 2015**

IFRS 13 establishes a single source of guidance for fair value measurements and disclosures about fair value measurements. IFRS 13 does not change the requirements regarding which items should be measured or disclosed at fair value. The scope of IFRS 13 is broad; it applies to both financial instrument items and non-financial instrument items for which other IFRSs require or permit fair value measurements and disclosures about fair value measurements, except in specified circumstances. IFRS 13 gives a new definition of fair value for financial reporting purposes. Fair value under IFRS 13 is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal (or most advantageous) market at the measurement date under current market condition (i.e. an exit price) regardless of whether that price is directly observable or estimated using another valuation technique. IFRS 13 should be applied prospectively as of the beginning of the annual period in which it is initially applied.

2.2.4 Other than the aforesaid standards, interpretations and amendments, the International Accounting Standards Board (IASB) has also issued the following standards which have not been adopted locally by the Securities and Exchange Commission of Pakistan:

- IFRS 1	First Time Adoption of International Financial Reporting Standards
- IFRS 13	Fair Value Measurement

- IFRS 14 Regulatory Deferral Accounts
- IFRS 15 Revenue from Contracts with Customers

2.3 SIGNIFICANT ESTIMATES

The preparation of financial statements in conformity with IFRSs requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under circumstances, and the results of which form the basis for making judgment about carrying value of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which estimates are revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Judgments made by management in the application of IFRSs that have significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are discussed in the ensuing paragraphs.

2.3.1 Employee benefits

The Company operates an unfunded gratuity scheme (defined benefit plan) for all its permanent employees who have completed minimum qualifying period of service as defined under the respective scheme. Provisions are made annually to cover the obligation under the scheme on the basis of actuarial valuation and are charged to income. The calculation requires assumptions to be made of future outcomes, the principal ones being in respect of increases in remuneration and discount rate used to derive present value of defined benefit obligation. The assumptions are determined by independent actuaries.

2.3.2 Property, plant and equipment

The Company reviews the useful lives of property, plant and equipment on regular basis. Any change in the estimates in future years might affect the carrying amounts of the respective items of property, plant and equipment with a corresponding effect on the depreciation charge and impairment.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

3.1 Basis of preparation

These financial statements have been prepared under historical cost convention modified by:

- revaluation of certain property, plant and equipment.
- financial instruments at fair value.
- recognition of certain employee retirement benefits at present value.

The accounting policies adopted in the preparation of these financial statements are same as those applied in the preparation of the financial statements of the Company for the year ended

June 30, 2013 except for changes in accounting policies as stated in note 3.2 and are enumerated as follows:

3.2 IAS 1 - Presentation of Financial Statements – Presentation of items of Other Comprehensive Income

The amendments to IAS 1 change the grouping of items presented in other comprehensive income (OCI). Items that could be reclassified (or recycled) to profit or loss at a future point in time would be presented separately from items that will never be reclassified. Income tax on items of other comprehensive income is required to be allocated on the same basis i.e. the amendments do not change the option to present items of other comprehensive income either before tax or net of tax. The amendments require retrospective application.

IAS 19 - Employee Benefits (as revised in 2011)

In the current year, the Company has applied IAS 19 Employee Benefits (as revised in 2011) and the related consequential amendments for the first time.

IAS 19 (as revised in 2011) changes the accounting for defined benefit plans and termination benefits. The most significant change relates to the accounting for changes in defined benefit obligation and plan assets. The amendments require the recognition of changes in defined benefit obligations and in the fair value of plan assets when they occur, and hence eliminate the 'corridor approach' permitted under the previous versions of IAS 19 and accelerate the recognition of past service costs. All actuarial gains and losses are recognised immediately through other comprehensive income in order for the net pension asset or liability recognised in the statement of financial position to reflect the full value of plan deficit or surplus.

Furthermore, the interest cost and expected return on plan assets used in the previous version of IAS 19 are replaced with a 'net interest' amount under IAS 19 (as revised in 2011), which is calculated by applying the discount rate to the net defined benefit liability or asset. These changes have had an impact on the amounts recognised in profit or loss and other comprehensive income in prior years. In addition, IAS 19 (as revised in 2011) introduces certain changes in the presentation of the defined benefit cost including more extensive disclosures.

As the impact of amendments to "IAS 19 Employee Benefits" on the financial statements for the year ended June 30 2012 is immaterial, therefore balance sheet as at June 30, 2012 has not been presented.

The impact of amendments to "IAS 19 Employee Benefits" on the financial statements is as under:

	.... 30 June 2012		
	Balance as reportied earlier	Effect of Change in accounting policy	Restated balance
Deferred liabilities (employee benefits)	3,784,475	2,916,132	6,700,607
Deferred tax asset	16,333,609	(990,027)	15,343,582
Accumulated losses	(302,450,712)	(1,926,105)	(304,376,817)

	.... 30 June 2013		
	Balance as reportied earlier	Effect of Change in accounting policy	Restated balance
Deferred liabilities (employee benefits)	7,204,420	3,403,371	10,607,791
Deferred tax asset	19,838,241	(1,163,663)	18,674,578
Accumulated losses	(289,753,009)	(2,239,708)	(291,992,717)

Effect on other comprehensive income

	.... 30 June 2013		
	Balance as reportied earlier	Effect of Change in accounting policy	Restated balance
Remeasurement on defined benefit obligation	-	(936,453)	(936,453)
The relevant tax	-	318,394	318,394

Effect on profit and loss account

	.... 30 June 2013		
	Balance as reportied earlier	Effect of Change in accounting policy	Restated balance
Cost of sales	836,913,167	(359,371)	836,553,796
Administrative expenses	54,212,693	(89,843)	54,122,850
The relevant tax	-	(148,241)	(148,241)

Effect on earnings per share

Effect on earnings per share is immaterial.

3.3 Property, plant and equipment

Property, plant and equipment except laboratory equipment, office equipment, furniture and fittings, vehicles and capital work-in-progress are stated at revalued amounts less accumulated depreciation and impairment in value, if any. Freehold land is stated at revalued amount. Laboratory equipment, office equipment, furniture and fittings and vehicles are stated at cost less accumulated depreciation and impairment in value, if any. Capital work-in-progress is stated at cost less impairment in value, if any. Cost also includes borrowing cost wherever applicable.

Assets' residual values, if significant and their useful lives are reviewed and adjusted, if appropriate at each balance sheet date.

When significant parts of an item of property, plant and equipment have different useful lives, they are recognized as separate items of property, plant and equipment.

Subsequent costs are recognized as part of asset, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. All other repair and maintenance costs are charged to income during the period in which they are incurred.

Depreciation is charged to profit and loss account applying the straight line method over its estimated useful life at the rates specified in relevant note to the financial statements. Depreciation on additions to property, plant and equipment is charged from the month in which property, plant and equipment is available for use while no depreciation is charged for the month in which property, plant and equipment is disposed off.

Surplus arising on revaluation of property, plant and equipment is credited to surplus on revaluation of property, plant and equipment and is shown below share capital and reserves. Revaluation is carried out with sufficient regularity to ensure that the carrying amounts of the assets doest not differ materially from the fair value. Accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset and net amount is restated to the revalued amount of the asset.The surplus on revaluation of property, plant and equipment to the extent of incremental depreciation charged on the related property, plant and equipment during the year is transferred by the Company to its un-appropriated profit / (loss).

Gains or losses on disposal of assets, if any, are included in the profit and loss account, as and when incurred.

All expenditures connected with specific assets incurred during installation and construction period are carried under capital work-in-progress. These are transferred to specific assets as and when these assets are available for use.

3.4 Assets subject to finance lease

Assets subject to finance lease are depreciated over their expected useful lives on the same basis as owned assets, or, where shorter, over the term of the relevant lease.

3.5 Stores, spare parts and loose tools

These are valued at cost less allowance for the obsolete and slow moving items. Cost is determined using moving average method. Items in transit are valued at cost comprising invoice value and other charges incurred thereon.

3.6 Stock in trade

These are valued at lower of cost and net realizable value. Cost is determined as follows: -

Raw material	- weighted average cost.
Work in process	- average manufacturing cost.
Finished goods	- average manufacturing cost.
Waste	- net realizable value.

Average manufacturing cost in relation to work-in-process and finished goods includes prime cost and appropriate production overheads, based on normal capacity.

Net realizable value signifies the estimated selling price in the ordinary course of business less estimated costs of completion and estimated costs necessary to make the sale.

3.7 Impairment

The Company assesses at each balance sheet date whether there is any indication that assets may be impaired. If such indication exists, the carrying value of such assets are reviewed to assess whether they are recorded in excess of their recoverable amount. Where carrying values exceed the respective recoverable amount, assets are written down to their recoverable amounts and the resulting impairment loss is recognized in profit and loss account, unless asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

The recoverable amount is the higher of an asset's fair value less costs to sell and value in use.

Where impairment loss subsequently reverses, the carrying amount of the assets is increased to the revised recoverable amount but limited to the extent of the carrying value that would have been determined (net of depreciation and amortization) had no impairment loss been charged in the previous periods. Reversal of impairment loss is recognized as income.

3.8 Financial instruments

Financial assets and financial liabilities are recognized when the Company becomes a party to the contractual provisions of the instrument and de-recognized when the Company loses control of the contractual rights that comprise the financial asset and in case of financial liability when the obligation specified in the contract is discharged, cancelled or expired.

The gain or loss on disposal of financial instruments is recognized immediately in the profit and loss account.

Particular recognition methods adopted by the Company are disclosed in the individual policy statements associated with each item of financial instruments.

3.9 Trade debts and other receivables

Trade debts and other receivables are recognized initially at fair value and subsequently measured at amortized cost less provision for impairment, if any. A provision for impairment is established when there is an objective evidence that the Company will not be able to collect all amounts due according to the original terms of receivables. Trade debts and other receivables considered irrecoverable are written off.

3.10 Cash and cash equivalents

For the purpose of cash flow statement, cash and cash equivalents consist of cash in hand, balances with banks, highly liquid short-term investments that are convertible to known amount of cash and are subject to insignificant risk of change in value and running finance under markup arrangement.

3.11 Trade and other payables

Trade and other payables are recognised initially at fair value plus directly attributable cost, if any, and subsequently measured at amortized cost using the effective interest method.

3.12 Leases

Leases are classified as finance lease whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Assets held under finance leases are recognised as assets of the company at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the balance sheet as liabilities against assets subject to finance lease. The liabilities are classified as current and long-term depending upon the timing of payment. Lease payments are apportioned between finance charges and reduction of the liabilities against assets subject to finance lease so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged to profit and loss account, unless they are directly attributable to qualifying assets, in which case they are capitalized in accordance with the company's general policy on borrowing costs.

3.13 Staff retirement benefits - gratuity

The Company operates an unfunded gratuity scheme (defined benefit plan) for its permanent employees who have completed minimum qualifying period of service as defined under the respective scheme. Provisions are made to cover the obligations under the schemes on the basis of actuarial valuation and are charged to income.

The amount recognized in the balance sheet represents the present value of defined benefit obligations using projected unit credit method.

The Company’s policy with regard to actuarial gains / losses is to follow minimum recommended approach under IAS 19 ‘Employee Benefits’.

Details of the scheme are given in relevant note to these financial statements.

The Company provides for compensated absences of its employees on unavailed balance of leaves in the period in which the leaves are earned.

3.14 Provisions

Provisions are recognized in the balance sheet when the Company has a present, legal or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of obligation can be made. Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate.

3.15 Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods and services provided in the normal course of business.

Revenue from local sales is recognized when goods are dispatched to customers.

Revenue from export sales is recognized on shipment of goods to customers.

Profit on bank deposits is accrued on a time proportion basis taking into account the effective rate of return.

3.16 Borrowings

Borrowings are recognized initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortized cost. Any difference between the proceeds (net of transaction costs) and the redemption value is recognized in the income statement over the period of the borrowings using the effective interest method. Borrowings are classified as current liabilities unless the Company has an unconditional right to defer settlement of liability for at least twelve months after the balance sheet date.

3.17 Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalization.

All other borrowing costs are recognized in profit or loss account for the year.

3.18 Taxation

Current

The charge for current taxation is based on taxable income at the current rate of taxation after taking into account applicable tax credits, rebates and exemptions available, if any, or minimum taxation as per Income Tax Ordinance 2001, whichever is higher. However, for income covered under final tax regime, taxation is based on applicable tax rates under such regime.

Deferred

Deferred tax is provided using the balance sheet liability method for all temporary differences at the balance sheet date between tax bases of assets and liabilities and their carrying amount for financial reporting purposes. In this regard, the effects on deferred taxation of the portion of income subject to final tax regime is also considered in accordance with the requirement of "Technical Release - 27" of the Institute of Chartered Accountants of Pakistan.

Deferred tax liability is recognized for all taxable temporary differences while deferred tax asset is recognized for all deductible temporary differences and carry forward of unused tax losses, if any, to the extent that it is probable that taxable profit will be available against which such temporary differences and tax losses can be utilized.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled, based on the tax rates that have been enacted or substantively enacted at the balance sheet date.

Deferred tax is charged or credited in the income statement, except in the case of items credited or charged to equity, in which case it is included in equity.

3.19 Foreign currencies

Transactions in currencies other than Pakistani Rupee are recorded at the rates of exchange prevailing on the dates of the transactions. At each balance sheet date, monetary assets and liabilities that are denominated in foreign currencies are translated at the rates prevailing on the balance sheet date except where forward exchange contracts have been entered into for repayment of liabilities in that case, the rates contracted for are used.

Gains and losses arising on retranslation are included in profit or loss for the year.

3.20 Earnings per share

The Company presents earnings per share for its ordinary shares which is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by weighted average number of ordinary shares outstanding during the year.

3.21 Off-setting of financial assets and financial liabilities

A financial asset and a financial liability is offset and the net amount reported in the balance sheet, if the Company has a legal enforceable right to set off the transaction and also intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

3.22 Impairment of Financial Assets

A financial asset is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset. Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics.

4. PROPERTY, PLANT AND EQUIPMENT

	Note	2014	2013
		-------- Rupees	--------
Operating fixed assets	4.1	2,490,671,198	1,826,370,173
Capital work in progress	4.6	-	6,491,256
		2,490,671,198	1,832,861,429

4.1 Operating Fixed assets- at June 30, 2014

Description	Cost / revalued amount				Accumulated depreciation					
	At July 01, 2013	Additions / (disposals)	Surplus / Adjustments	At June 30, 2014	At July 01, 2013	Charge for the year / (on disposals)	Transfers / Adjustments	At June 30, 2014	Book value at June 30, 2014	Rate %
	----------	----------	----------	----------	Rupees	----------	----------	----------	----------	
Land - freehold	158,761,500	(23,115,000)	61,657,500	197,304,000	-	-	-	-	197,304,000	-
Building on freehold land	186,132,157	-	27,108,896	213,241,053	44,527,057	9,306,608	(53,833,665)	-	213,241,053	5
Plant and machinery	2,086,026,531	-	-	2,086,026,531	667,701,033	139,137,970	(627,600,494)	179,238,509	1,906,788,022	6.67
Electric installations	167,526,172	179,600	-	167,705,772	85,829,301	16,765,289	(91,076,945)	11,517,645	156,188,127	10
Laboratory equipment	3,432,720	270,000	-	3,702,720	1,620,689	352,272	-	1,972,961	1,729,759	10
Factory equipment	12,404,398	-	-	12,404,398	6,471,550	1,240,440	-	7,711,990	4,692,408	10
Office equipment	4,585,394	64,583	-	4,649,977	1,694,916	463,383	-	2,158,299	2,491,678	10
Furniture and fittings	3,426,842	393,115	-	3,819,957	1,564,472	362,175	-	1,926,647	1,893,310	10
Vehicles	6,689,326	4,497,335	9,533,333	8,855,313	5,015,611	1,244,738	3,466,667	4,114,509	4,740,804	20
		(11,864,681)				(5,612,507)				
	2,628,985,040	5,404,633	98,299,729	2,697,709,721	814,424,629	168,872,875	-	208,640,560	2,489,069,161	
		(34,979,681)				(5,612,507)				
Leased										
Vehicle	15,288,625	-	(13,000,000)	2,288,625	3,478,863	674,392	(3,466,667)	686,588	1,602,037	20
	2,644,273,665	5,404,633	85,299,729	2,699,998,346	817,903,492	169,547,267	(3,466,667)	209,327,148	2,490,671,198	
		(34,979,681)				(5,612,507)				

Operating assets - as at June 30, 2013

Description	Cost / revalued amount			Accumulated depreciation			Book value at June 30, 2013	Rate %
	At July 01, 2012	Additions / (disposals)	At June 30, 2013	At July 01, 2012	Charge for the year / (on disposals)	At June 30, 2013		
	Rupees							
Land - freehold	158,761,500	-	158,761,500	-	-	-	158,761,500	-
Building on freehold land	186,132,157	-	186,132,157	35,220,449	9,306,608	44,527,057	141,605,100	5
Plant and machinery	2,063,293,604	22,732,927	2,086,026,531	529,106,502	138,594,531	667,701,033	1,418,325,498	6.67
Electric installations	167,101,517	424,655	167,526,172	69,093,729	16,735,572	85,829,301	81,696,871	10
Laboratory equipment	3,432,720	-	3,432,720	1,277,417	343,272	1,620,689	1,812,031	10
Factory equipment	12,404,398	-	12,404,398	5,231,110	1,240,440	6,471,550	5,932,848	10
Office equipment	4,431,151	154,243	4,585,394	1,244,631	450,285	1,694,916	2,890,478	10
Furniture and fittings	3,352,572	74,270	3,426,842	1,225,130	339,342	1,564,472	1,862,370	10
Vehicles	6,689,326	-	6,689,326	3,677,746	1,337,865	5,015,611	1,673,715	20
	2,605,598,945	23,386,095	2,628,985,040	646,076,714	168,347,915	814,424,629	1,814,560,411	
Leased								
Vehicle	13,000,000	2,288,625	15,288,625	650,000	2,828,863	3,478,863	11,809,762	20
	2,618,598,945	25,674,720	2,644,273,665	646,726,714	171,176,778	817,903,492	1,826,370,173	

4.1.1 Depreciation charge for the year has been allocated as follows:

	Note	2014	2013
		Rupees	
Cost of sales	24	167,504,690	166,850,707
Distribution expenses	26	749,944	743,490
Administrative expenses	27	1,292,633	3,582,581
		169,547,267	171,176,778

4.2 Disposal of operating fixed assets

Description	Cost	Accumulated depreciation	Book value	Sale proceed	Gain/(loss) on disposal	Mode of disposal	Particulars of buyer	
	Rupees						Name	Relation
Land	23,115,000	-	23,115,000	24,150,000	1,035,000	Negotiation	Star Developers	N/A
Honda City	1,236,720	1,051,212	185,508	1,150,000	964,492	Negotiation	Rana Usman Babar	Individuals
Toyota Corolla	1,094,628	1,094,628	-	300,000	300,000	Negotiation	Ijaz Ahmed	Individuals
Toyota Land Cruiser	9,533,333	-	9,533,333	10,000,000	466,667	Negotiation	Shapes (Private) Limited	N/A
2014	34,979,681	2,145,840	32,833,841	35,600,000	2,766,159			
2013	-	-	-	-	-			

4.3 During the year, land and building of the Company have been revalued as at June 30, 2014 by "MYK Associates (Private) Limited" and property, plant and equipment and electric installation by "Mericon Consultants (Private) Limited, both are independent valuers not connected with the Company. The management of the Company believes that fair values of its land, building and plant machinery and electric installations as at June 30, 2014 are not materially different from revalued amounts determined by the valuers. Basis of revaluation are as follows:

a) Land

Revalued amount of land has been determined by reference to local market values of land taking into account prevailing fair market prices under the position and circumstances present on the date of revaluation and current market scenario for properties of similar nature in the immediate neighbourhood and adjoining areas.

b) Building

Revalued amount of building has been determined by reference to present depreciated replacement values after taking into consideration covered area and type of construction, age of civil and ancillary structures, physical condition and level of preventive maintenance carried out by the Company.

c) Plant and machinery and electric installations

Revalued amount of plant and machinery and electric installation has been determined by reference to present depreciated replacement values after taking into consideration present physical condition, remaining useful economic lives, technological obsolescence and level of preventive maintenance carried out by the Company.

4.4 The revaluation surplus, net of deferred tax, has been credited to surplus on revaluation of property, plant and equipment.

4.5 Had there been no revaluation the cost, accumulated depreciation and book value of revalued assets would have been as under:

	Cost	Accumulated depreciation	Book value
		Rupees	
Freehold land	41,997,852	-	41,997,852
Building on freehold land	161,737,333	47,734,960	114,002,373
Plant and machinery	1,457,817,109	597,331,162	860,485,947
Electric installations	148,702,047	93,080,054	55,621,993
Factory equipment	10,414,714	6,717,149	3,697,565
2014	1,820,669,055	744,863,325	1,075,805,730
2013	1,843,604,455	623,646,341	1,219,958,114

	2014	2013
	Rupees	
4.6 Capital work in progress		
Advances for fixed assets	-	6,491,256

4.7 Plant and machinery includes two Gas Gensets held jointly by the Company on behalf of and in trust for the investor under the Musharaka arrangements entered into by the Company. The Musharaka facility was fully paid in previous financial year. Cost and book value of assets under these Musharaka arrangements are as follows:

	2014		2013	
Description	**Cost**	**Book value**	**Cost**	**Book value**
Gas Gensets	86,609,865	65,427,979	86,609,865	65,427,979

	Note	2014	2013
		Rupees	
5. LONG TERM ADVANCES AND DEPOSITS			
Security deposit for electricity connection		3,640,000	3,640,000
Lease key money		200,000	1,500,000
Security deposit to Central Depository Company of Pakistan Limited		50,000	50,000
Other deposit		15,000	15,000
		3,905,000	5,205,000
6. STORES, SPARE PARTS AND LOOSE TOOLS			
Stores		42,650,515	28,546,973
Spare parts		48,482,159	41,313,044
Loose tools		-	194,480
Stores in transit		182,805	-
		91,315,479	70,054,497
7. STOCK IN TRADE			
Raw material	7.1	131,259,652	62,887,474
Work-in-process		336,697,220	341,025,388
Finished goods		19,471,146	11,545,648
Packing material		33,686,453	23,121,337
		521,114,471	438,579,847

7.1 This amount includes goods in transit amounting to Rs.90,415,184 (2013: Nil).

	Note	2014	2013
		Rupees	

8. TRADE DEBTS

	Note	2014	2013
Considered good			
From related party	8.1	-	3,727,980
Others - local		31,184,709	31,829,753
		31,184,709	35,557,733

8.1 This amount represented due from related party Sitara Textile Industries Limited.

9. ADVANCES

	Note	2014	2013
		Rupees	
Considered good			
Advances to:			
Employees against salary - secured		742,057	670,168
Employees for expenses - unsecured		1,453,487	1,358,256
Suppliers - unsecured (Local)		19,547,796	20,084,101
Suppliers - unsecured (Foreign)		1,068,618	1,610,940
Advance income tax		62,325,562	38,489,351
Others	9.1	11,000,000	41,000,000
		96,137,520	103,212,816

9.1 The company gave advance for purchase of land in 2012. However, during the current year the decision for purchase of land has been postponed and the Company has received back Rs. 30 million from the supplier. It is expected that the remaining advance will also be recovered in due course.

10. DEPOSITS AND SHORT TERM PREPAYMENTS

	Note	2014	2013
		Rupees	
Nazir of the Honorable Sindh High Court	10.1	18,809,059	18,809,059
Others		5,065,200	3,983,780
		23,874,259	22,792,839

10.1 This represents the amount deposited with Nazir of the Honorable Sindh High Court as required by the said court to file writ petition against the recovery notice issued by the Customs Department to deposit Government dues amounting to Rs. 18,809,059 involved in the clearance of import shipments.

11. SALES TAX REFUNDABLE

This represents accumulated difference of input tax on purchases and output tax on sales.

	Note	2014 Rupees	2013 Rupees

12. CASH AND BANK BALANCES

	Note	2014	2013
Cash in hand		151,371	723,692
Cash at banks - Current Accounts		696,537	2,703,513
Cash at banks - Saving Accounts	12.1	-	12,544,802
		847,908	15,972,007

12.1 Effective mark-up rate earned in respect of saving accounts ranged from 7.25% per annum to 9.50% per annum (2013: 7.25% per annum to 9.50%).

13. SHARE CAPITAL

2014 Number of shares	2013 Number of shares		2014 Rupees	2013 Rupees
		Authorised		
60,000,000	60,000,000	Ordinary shares of Rs. 10 each	600,000,000	600,000,000
		Issued, subscribed and paid-up		
55,100,000	55,100,000	Ordinary shares of Rs. 10 each fully paid in cash	551,000,000	551,000,000

13.1 There is no movement in issued, subscribed and paid up capital during the year.

13.2 The holder of ordinary shares are entitled to receive dividend as declared from time to time and are entitled to vote at meetings of the Company. All shares rank equally with regard to Company's residual assets.

13.3 The Company has no reserved shares for issue under option and sales contracts.

13.4 3,500,000 (2013: 3,500,000) ordinary shares of Rs. 10 each are held by Sitara Chemical Industries Limited, an associated undertaking.

14. SURPLUS ON REVALUATION OF PROPERTY, PLANT AND EQUIPMENT

	Note	2014 Rupees	2013 Rupees
Balance at beginning of the year		427,709,455	459,635,233
Revaluation surplus created during the year		861,277,500	-
Relevant deferred tax liability		(275,361,141)	-
Revaluation surplus created during the year - net of tax		585,916,359	-
Transfer to accumulated losses in respect of incremental depreciation charged during the year - net of tax	14.1	30,297,835	31,925,778
Balance at end of the year		983,327,979	427,709,455

	Note	2014	2013
		Rupees	
14.1 Incremental depreciation charged during the year transferred to accumulated losses		45,220,651	45,220,651
Less: tax liability relating to incremental depreciation		14,922,816	13,294,873
		30,297,835	31,925,778

15. LONG TERM FINANCING

Secured - from financial institutions

	Note	2014	2013
Under Sukuk arrangements			
Balance at beginning of year		1,178,921,055	1,243,421,053
Less: paid during the year		188,253,560	64,500,000
Less: current portion		209,890,536	213,091,677
Balance at the end of year	15.1	780,776,959	965,829,376
Under diminishing Musharaka arrangement			
Balance at beginning of year		-	20,347,762
Less: paid during the year		-	20,347,762
Balance at the end of year	15.2	-	-
Others			
Obtained during the year		135,000,000	-
Less: paid during the year		10,541,671	-
Less: current portion		11,500,000	-
Balance at the end of year	15.3	112,958,329	-
Unsecured			
From other parties			
Balance at beginning of year		29,200,000	29,200,000
Add: obtained during the year		2,150,000	-
Less: current portion		-	7,200,000
Less: Paid During the year		31,350,000	-
Balance at the end of year	15.4	-	22,000,000
		893,735,288	987,829,376

15.1 During 2008 the Company had issued privately placed diminishing Musharaka based SUKUK certificates arranged by consortium of financial institutions through trustee, amounting to Rs. 1,400 million. Due to financial difficulties, the Company was unable to comply with the prevailing repayment arrangements and negotiated with the investors to reschedule the repayment arrangements for the outstanding amount of Rs. 1,243 million payable under this arrangement. Accordingly, on November 19, 2012 the Company entered into second supplemental agreement which is effective from February 19, 2012. The major terms and conditions of the second supplemental agreement are given below.

Profit Rate:

According to the revised terms of the loan agreement, profit rate is 1 Month KIBOR + 1% p.a. (KIBOR to be reset on monthly basis).

Rental / Profit Payment:

Each year, rental / profit payments will be made for six months at the rate of 1 Month KIBOR. The 1% spread for the first six months and the rental / profit for the remaining six months shall be deferred to be paid in 12 equal installments after repayment of entire principal.

Principal Repayment:

The principal will be repaid in seven years period in 80 monthly installments starting from July 19, 2012.

Call Option:

The Company has a call option in accordance with terms and conditions of the entire amount or partial amount in the event it has free cash flows available. The Company shall use at least 70% of its free cash flows, if available, in exercising the call option.

Security:

First Joint Pari Passu charge on the fixed assets of the company through equitable mortgage of land & building and Hypothecation charge on plant & machinery with a margin of 25%. First exclusive charge over fixed assets of the company for PKR 1,866.667 million, pledge over 10 million shares of the Company in the name of sponsors, and personal guarantees of Chief Executive Officer and three directors of the company.

Other conditions:

The Company is required not to declare any dividend during the entire tenor of the SUKUK issue.

15.1.1 Effective rate of profit for the year is ranging from 10.02% to 11.43% (2013: 10.23% to 13.05%) per annum.

15.2 This facility was obtained during the year 2009 from a financial institution to finance the purchase of two Gas Gensets. This facility carried mark-up at the rate of three months KIBOR plus 1.75% per annum with floor of 10% per annum and cap of 22% per annum, payable quarterly. Tenor of this facility was three years, including grace period of one year. The principal was payable in eight equal quarterly installments commencing from September 2010. This facility was secured against the specific charge and joint ownership of Musharaka assets as given in the Note 4.7.

15.3 This facility was converted from short term running finance to long term finance by mutual agreement between the bank and the Company. This facility carries mark-up at the rate of one month KIBOR plus 1% per annum. Tenure of this facility is five years. Principal amount is repayable in 24 monthly installments of Rs. 0.958 million and 36 monthly installments of Rs. 3.111 million. This facility is secured against personal guarantees of Ex-Director and Chief Executive Officer, mortgage of commercial property owned by Sitara Spinning Mills Limited and mortgage of property owned by a Director and Chief Executive Officer situated at chak, 204 R.B. Faisalabad.

15.4 This represents unsecured and interest free loans from various parties and was fully paid during the year.

	2014	2013
	Rupees	

16. LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE

	2014	2013
Present value of minimum lease payments	1,233,167	10,796,073
Less: current portion	(628,349)	(4,540,246)
	604,818	6,255,827

These represent vehicles acquired under finance lease arrangements. Rentals are payable monthly. The leases are priced at interest rate of six month KIBOR plus a spread of 3% per annum (2013: six month KIBOR plus a spread of 3% per annum). Under the terms of the agreement, taxes, repairs and insurance costs in respect of assets subject to finance lease are borne by the Company.

	Note	2014	2013
		Rupees	
Minimum lease payments			
Not later than one year		721,044	5,451,324
Later than one year but not later than five years		620,609	6,583,553
		1,341,653	12,034,877
Finance cost allocated to future periods		(108,486)	(1,238,804)
		1,233,167	10,796,073
Current portion		(628,349)	(4,540,246)
		604,818	6,255,827
Present value of minimum lease payments			
Not later than one year		628,349	5,097,925
Later than one year but not later than five years		604,818	5,698,148
		1,233,167	10,796,073

17. DEFERRED LIABILITIES

	Note	2014	2013
Staff retirement benefits - gratuity	17.1	12,729,603	10,607,791
Deferred taxation	17.2	307,688,430	18,529,820
		320,418,033	29,137,611

17.1 Staff retirement benefits - gratuity

The calculation requires assumptions to be made of future outcomes, the principal ones being in respect of increases in remuneration and discount rate used to derive present value of defined benefit obligations. The assumptions are determined by independent actuaries. The results of the actuarial valuation carried out using "Projected Unit Credit Method" as at June 30, 2014 are as follows:

	2014	2013
	Rupees	
Reconciliation of payable to / (receivable from) defined benefit plan:		
Fair value of plan assets		
Present value of defined benefit obligation	12,729,603	10,607,791
Movement in net liability recognized in the balance sheet:		
Balance at beginning of the year	10,607,791	6,700,607
Add: expense charged to profit and loss account	4,284,833	3,938,969
Less: benefits paid during the year	(1,561,791)	(968,238)
Other comprehensive income	(601,230)	936,453
Balance at end of the year	12,729,603	10,607,791
Charge for the year:		
Current service cost	3,154,740	3,161,908
Interest cost	1,130,093	777,061
Expense recognized in the profit and loss account	4,284,833	3,938,969
Actuarial remeasurments(OCI)		
Actuarial (gain) / loss recognised on remeasurments	(601,230)	936,453
Principal actuarial assumptions:		
Discount rate - per annum	13.50%	11.50%
Expected rate of growth per annum in future salaries	13.50%	11.50%

Sensitivity analysis:

If the discount rate is 100 basis points higher (lower), the defined benefit obligation would decrease by Rs. 1,160,596 (increase by Rs. 1,160,596).

If the expected rate of salary increase (decreases) by 100 basis points the defined benefit obligation would increase by Rs. 1,425,590 (decrease by Rs. 1,425,590).

Risk associated with defined benefit plan:

a) Longevity risk
The risk arises when the actual lifetime of retirees is longer than expectation. The risk is measured at the plan level over the entire retiree population.

b) Salary increase risk
The risk arises when the actual increases are higher than expectation and impacts the liability accordingly.

c) Withdrawl risk
The risk withdrawls varying with the acturial assumptions can impose a risk to defined benefit obligation.

17.1.1 History of present value of deferred employee benefits

As at June 30	2014	2013	2012	2011	2010
		....	Rupees	....	
Present value of defined benefit obligations	12,729,603	10,607,791	6,700,607	3,710,166	3,481,431
Experience adjustment: Gain / (loss) on obligations net of deferred tax	396,812	(618,059)	(1,953,808)	(13,535)	(1,062,533)

17.2 Deferred taxation

	2014	2013
	------ Rupees	------
		(Restated)
The balance of deferred taxation is in respect of following temporary differences:		
Depreciation on property, plant and equipment	232,072,172	269,949,876
Provision for employee benefits - unfunded	(4,093,649)	(3,771,720)
Liabilities against assets subject to finance lease	(1,087,796)	346,596
Unused tax losses	(338,294,872)	(406,649,180)
	(111,404,145)	(140,124,428)
Deferred tax liability on account of surplus arose on revaluation of property, plant and equipment during the year	419,092,575	158,654,248
	307,688,430	18,529,820

17.2.1 Movement in temporary differences during the year

	Balance as at July 2013 (Restated)	Recognised in Profit and loss during the year (Restated)	Recognised in other comprehensive Income (Restated)	Balance as at June 30, 2013 (Restated)	Recognised in Profit and loss during the year	Recognised in other comprehensive income	Surplus on revlaution during the year	Balance as at June 30, 2014
	----------	----------	----------	Rupees	----------	----------	----------	----------
Deferred tax credits								
Depreciation on property, plant and equipment	295,449,023	(25,499,147)	-	269,949,876	(37,877,704)	-	-	232,072,172
Liabilities against assets subject to finance lease	(43,486)	390,082	-	346,596	(1,434,392)	-	-	(1,087,796)
Surplus on revaluation of property plant and equipment	171,949,121	(13,294,873)	-	158,654,248	(14,922,814)	-	275,361,141	419,092,575
	467,354,658	(38,403,938)	-	428,950,720	(54,234,910)	-	275,361,141	650,076,951
Deferred tax debits								
Unused tax losses	(423,184,678)	16,535,498	-	(406,649,180)	68,354,308	-	-	(338,294,872)
Tax credits	(26,551,542)	26,551,542	-	-	-	-	-	-
Provision for employee benefits - unfunded	(1,284,829)	(2,168,497)	(318,394)	(3,771,720)	(526,347)	204,418	-	(4,093,649)
	(451,021,049)	40,918,543	(318,394)	(410,420,900)	67,827,961	204,418	-	(342,388,521
	16,333,609	2,514,605	(318,394)	18,529,820	13,593,051	204,418	275,361,141	307,688,430

18. DEFERRED MARK-UP

This represents deferred mark-up payable on diminishing Musharaka arrangement as mentioned in note 15.1.

19. TRADE AND OTHER PAYABLES

	Note	2014	2013
		Rupees	
Creditors	19.1	167,309,585	83,828,499
Advances from customers		328,179	2,229,943
Payable to associates	19.2	4,677,626	13,851,395
Accrued liabilities		20,502,944	25,934,796
WPPF payable		197,752	-
WWF payable		79,101	-
Retention money		278,778	278,778
Withholding tax		441,804	115,601
Others		10,000	10,000
		193,825,769	126,249,012

19.1 This includes Rs. 2,630,462 (2013: Rs. 8,247,749) payable to Sitara Chemical Industries Limited (associated undertaking) and Rs. 81,164,768 (2013: 45,692,048) payable to Sitara Spinning Mills Limited (associated undertaking) in ordinary course of business.

19.2 This includes Rs. 4,677,626 (2013: Rs. 4,368,541) payable to Sitara Chemical Industries Limited and Rs. Nil (2013: Rs. 9,500,000) payable to Sitara Spinning Mills Limited against common expenses share.

20. ACCRUED MARK-UP

	Note	2014	2013
		Rupees	
Mark-up accrued on:			
Long-term financing		22,546,887	23,593,619
Short-term borrowings		4,768,377	9,411,897
		27,315,264	33,005,516

21. SHORT TERM BORROWINGS

	Note	2014	2013
Banking companies - secured	21.2	220,904,478	364,151,998
Overdrawn balances - unsecured		32,904,969	29,249,868
Others - unsecured	21.3	6,000,000	6,000,000
From Chief Executive Officer	21.4	1,366,479	16,210,944
		261,175,926	415,612,810

21.1 The aggregate unavailed running finance facilities amount to Rs. 38.1 million (2013: Rs.46.848 million).

21.2 These fund based facilities have been obtained from various banks for working capital requirements, under mark-up arrangements against aggregate sanctioned limit of Rs. 259 million (2013: Rs. 411 million). These facilities carry mark-up at the rates ranging from three months KIBOR plus 1.75% to three months KIBOR plus 2.75% (2013: three months KIBOR plus 1.75% to three months KIBOR plus 4.00%) per annum on daily product payable quarterly. As discussed in note 15.3 a facility of Rs.135 million was converted to long term finance. These facilities are expiring on various dates by December 31, 2014.

The aggregate short term borrowings facilities are secured against:

First pari passu charge
Rs. 467 million (2013: Rs. 601 million) over current assets of the Company.

Equitable mortgage charge
a) Rs. 34 million (2013: Rs. 34 million) over the fixed assets of the Company;

Ranking charge
a) Rs. 100 million (2013: Rs.100 million) over present and future current assets of the Company.

b) Rs. 300 million (2013: Rs. 300 million) over present and future fixed assets of the Company.

Personal guarantees
Personal guarantees from Chief Executive Officer and a director of the Company.

21.3 This represents interest free loan obtained from a party and is repayable on demand.

21.4 This represents a loan obtained from Chief Executive Officer of the Company and is unsecured, carrying interest rate of 11.91% (2013: 11.91%) and is payable on demand.

	2014	2013
	Rupees	
22. CONTINGENCIES AND COMMITMENTS		
22.1 Contingencies		
Bank guarantee issued by Faysal Bank Limited in favor of Sui Northen Gas Pipelines Limited for supply of gas	53,538,000	53,538,000
22.2 Commitments		
Irrevocable letters of credit	25,922,738	41,614,000
23. SALES		
Local sales	1,449,496,746	1,148,008,705
Less: Commission and discount	(37,413,000)	(46,194,143)
	1,412,083,746	1,101,814,562
Export sales	14,380,531	8,585,544
	1,426,464,277	1,110,400,106

	Note	2014	2013
		Rupees	(Restated)
24. COST OF SALES			
Raw material consumed	24.1	163,648,948	140,602,139
Fuel and power		285,448,356	252,474,249
Packing material consumed		249,051,950	187,883,164
Stores, spare parts and loose tools consumed		16,806,341	17,034,279
Salaries, wages and benefits	24.2	56,276,355	45,856,008
Repairs and maintenance		35,284,506	23,837,864
Insurance		6,553,004	6,034,146
Depreciation	4.1.1	167,504,690	166,850,707
Traveling and conveyance		1,582,870	290,136
Vehicle running and maintenance		1,381,675	1,965,085
Entertainment		828,207	1,082,754
		984,366,902	843,910,531
Work-in-process			
Balance at beginning of the year		341,025,388	319,414,175
Balance at end of the year	7	336,697,220	341,025,388
		4,328,168	(21,611,213)
Cost of goods manufactured		988,695,070	822,299,318
Finished goods			
Balance at beginning of the year		11,545,648	25,103,496
Balance at end of the year	7	(19,471,146)	(11,545,648)
		(7,925,498)	13,557,848
Cost of goods sold - own manufactured products		980,769,572	835,857,166
- purchased goods		158,457,244	696,630
		1,139,226,816	836,553,796

24.1 Raw material consumed

	Note	2014	2013
Balance at beginning of the year		62,887,474	40,122,742
Purchases		232,021,126	163,366,871
		294,908,600	203,489,613
Less: Balance at end of the year	7	(131,259,652)	(62,887,474)
		163,648,948	140,602,139

24.2 Salaries, wages and benefits include Rs. 3,427,872 (2013: Rs. 3,510,546) in respect of employee benefits.

	2014	2013
	Rupees	
25. OTHER INCOME		
Income from financial assets		
Profit on bank deposits	3,605,211	1,146,239
Income from assets other than financial assets		
Scrap sales	2,104,474	113,100
Gain on sale of operating fixed assets	2,766,159	-
	8,475,844	1,259,339

26. DISTRIBUTION COST

	Note	2014 Rupees	2013 Rupees
Salaries and benefits		4,028,761	3,540,920
Printing and stationery		68,830	56,512
Traveling and conveyance		301,347	407,486
Vehicle running and maintenance		403,119	535,561
Entertainment		159,390	84,042
Freight and octroi		27,689,430	32,981,529
Depreciation	4.1.1	749,944	743,490
Other expenses		524,805	312,743
		33,925,626	38,662,283

27. ADMINISTRATIVE EXPENSES

	Note	2014 Rupees	2013 Rupees (Restated)
Salaries and benefits	27.1	28,915,310	30,000,581
Director's remuneration	33	6,145,908	4,975,123
Printing and stationery		1,639,108	1,520,028
Insurance		877,661	517,042
Repairs and maintenance		689,815	492,777
Traveling and conveyance		6,003,269	3,978,571
Rent, rates and taxes		265,934	126,206
Vehicle running and maintenance		2,597,848	2,128,859
Entertainment		108,911	93,201
Telephone and postage		1,230,025	990,452
Advertisement		45,920	260,000
Fees, subscription and periodicals		2,143,613	1,870,886
Legal and professional charges		1,907,262	705,740
Auditors' remuneration	27.2	1,100,000	1,100,000
Depreciation	4.1.1	1,292,633	3,582,581
Others		2,297,429	1,780,803
		57,260,646	54,122,850

27.1 Salaries and benefits include Rs. 856,961 (2013: Rs. 877,637) in respect of staff retirement benefits.

27.2 Auditors' remuneration

	2014	2013
Statutory audit fee	700,000	700,000
Half yearly review	200,000	200,000
Compliance report on Code of Corporate Governance	125,000	125,000
Out of pocket expenses	75,000	75,000
	1,100,000	1,100,000

	Note	2014	2013
		Rupees	

28. OTHER EXPENSES

	Note	2014	2013
Exchange loss		1,214,240	2,777,706
Worker's profit participation fund		197,752	-
Worker's welfare fund	28.1	4,367,713	-
Others		544,889	-
		6,324,594	2,777,706

28.1 This amount includes Rs. 4,288,612 relating to financial year 2010-11.

29. FINANCE COST

	2014	2013
Mark-up on:		
Long term financing	135,241,690	133,230,946
Short term borrowings	27,012,559	49,730,498
Liabilities against assets subject to finance lease	688,585	1,400,364
Bank charges and commission	2,029,028	4,652,513
	164,971,862	189,014,321

30. PROVISION FOR TAXATION

	2014	2013
Current	14,624,609	5,802,718
Deferred	13,593,051	3,504,632
	28,217,660	9,307,350

30.1 Numerical reconciliation between the average tax rate and applicable tax rate has not been presented in these financial statements as the Company is chargeable to minimum tax under Section 113 of the Income Tax Ordinance, 2001.

30.2 Assessments of the Company for the tax years 2004 to 2014 are deemed to have been completed under section 120(1) of the Income Tax Ordinance, 2001. However, the tax year 2007 has been selected for audit under section 177 of the Income Tax Ordinance, 2001. Audit proceedings for the said tax year are still in progress.

31. EARNINGS / (LOSS) PER SHARE - BASIC AND DILUTED

The calculation of basic earnings per share is based on the following data:

		2014	2013
		Rupees	(Restated)
Profit / (Loss) for the year	Rupees	5,012,917	(18,778,861)
Weighted average number of ordinary shares	Number	55,100,000	55,100,000
Earnings per share - basic	Rupees	0.09	(0.34)

No figure for diluted loss per share has been presented as the Company has not issued any instrument carrying options which would have an impact on earnings per share when exercised.

	Note	2014	2013
		Rupees	

32. CASH AND CASH EQUIVALENTS

	Note	2014	2013
Cash and bank balances	12	847,908	15,972,007
Short term borrowings	21	(261,175,926)	(415,612,810)
		(260,328,018)	(399,640,803)

33. REMUNERATION TO CHIEF EXECUTIVE OFFICER AND EXECUTIVES

The aggregate amount charged in accounts for the year for remuneration including all benefits to Chief Executive Officer and executives of the Company were as follows:

	2014			2013		
	Chief Executive Officer	Director	Executives	Chief Executive Officer	Director	Executives
Remuneration	4,062,293	3,900,000	9,611,376	3,256,191	975,000	7,106,808
House rent	1,218,687	-	2,883,410	1,465,284	-	2,132,040
Utilities allowance	406,220	-	961,115	125,081	-	710,664
Medical allowance	406,234	-	961,147	128,567	-	710,688
Special allowance	52,474	-	124,152	-	-	91,800
	6,145,908	3,900,000	14,541,200	4,975,123	975,000	10,752,000
Number of persons	1	1	14	1	1	9

33.1 Chief Executive Officer and three executives are also provided with Company maintained car.

33.2 No meeting fee was paid to the directors and Chief Executive Officer of the Company.

33.3 No remuneration is paid to non executive directors

34. TRANSACTIONS WITH RELATED PARTIES

The related parties comprise of associated undertakings, directors, key management personnel and post employment benefit plans. The Company in the normal course of business carries out transactions with various related parties. Amounts due from and due to related parties are shown under receivables and payables and remuneration of Chief Executive Officer and executives is disclosed in note 33 to these financial statements. Other significant transactions with related parties are as follows:

Nature of Relationship	Nature of transaction	2014 Rupees	2013 Rupees
Associated undertakings	Organizational expenses	365,121	554,411
	Purchases	35,813,936	28,219,517
	Sales	-	15,975,000
Key management personnel	Loan obtained from Chief Executive Officer	17,535,000	23,000,000
	Repayment of loan to Chief Executive Officer	32,379,465	24,769,056
	Remuneration and other benefits	24,587,108	16,836,495
Employee benefit plan	Paid during the year	1,561,791	968,238

34.1 All transactions with related parties have been carried out at commercial terms.

	2014 Tons	2013 Tons
35. PLANT CAPACITY AND ACTUAL PRODUCTION		
Production capacity	30,000	30,000
Actual production	25,205	22,731

35.1 The average production during the year was 84% (2013: 76%). The main reason was the energy crises in the country which had adversely affected the industrial growth.

36. NUMBER OF EMPLOYEES

The total average number of employees during year ended June 30, 2013 and 2012 are as follows:

	Number of Employees	
Average number of employees	275	254
Total number of employees	283	244

37. FINANCIAL RISK MANAGEMENT

The Company has exposures to the following risks from its use of financial instruments:

Credit risk
Liquidity risk
Market risk

This note presents information about the Company's exposure to each of the above risks, the Company's objectives, policies and processes for measuring and managing risk, and the Company's management of capital. Further quantitative disclosures are included throughout these financial statements.

The Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework. The Board is responsible for developing and monitoring the Company's risk management policies.

The Company's risk management policies are established to identify and analyze the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Company's activities. The Company, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations. All derivative activities for risk management purposes are carried out by specialist teams that have the appropriate skills, experience and supervision. It is the Company's policy that no trading in derivatives for speculative purposes shall be undertaken. The Board of Directors reviews and agrees policies for managing each of these risks.

The Company's Audit Committee oversees how management monitors compliance with the Company's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the Company. The Audit Committee is assisted in its oversight role by Internal Audit. Internal Audit undertakes both regular and adhoc reviews of risk management controls and procedures, the results of which are reported to the Audit Committee.

37.1 Credit risk and concentration of credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations. To manage credit risk the Company maintains procedures covering the application for credit approvals, granting and renewal of counterparty limits and monitoring of exposures against these limits. As part of these processes the financial viability of all counterparties is regularly monitored and assessed.

The Company is exposed to credit risk from its operating activities primarily for local trade debts, advances and other receivables.

The Company does not hold collateral as security.
The Company's credit risk exposures are categorized under the following headings:

Counterparties

The Company conducts transactions with the following major types of counterparties:

Trade debts

Trade debts are essentially due from local customers and foreign customers against sale of hydrogen peroxide and the Company does not expect these counterparties to fail to meet their obligations. Sales to the Company's customers are made on specific terms. Customer credit risk is managed by each business unit subject to the Company's established policy, procedures and controls relating to customer credit risk management. Credit limits are established for all customers based on internal rating criteria. Credit quality of the customer is assessed based on an extensive credit rating. Outstanding customer receivables are regularly monitored and shipments to the foreign customers are generally covered by letters of credit or other form of credit insurance.

Banks

The Company limits its exposure to credit risk by conducting transactions only with counterparties that have a credit rating of at least A1 and A. Given these high credit ratings, management does not expect any counterparty to fail to meet its obligations.

Exposure to credit risk

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was:

	2014	2013
	Rupees	
Financial assets		
Trade debts	31,184,709	35,557,733
Advances	742,057	670,168
Bank balances	696,537	15,248,315
	32,623,303	51,476,216

	2014	2013
	Rupees	

The trade debts at the balance sheet date are unsecured.
The aging of trade debts at the balance sheet date is as follows:

	2014	2013
Past due 1 to 30 days	8,896,140	2,138,229
Past due 30 to 150 days	22,288,569	33,419,504
Past due 150 days	-	-
	31,184,709	35,557,733

Impairment losses

Based on age analysis, relationship with customers and past experience the management does not expect any party to fail to meet their obligations. The management believes that trade debts are considered good and hence no impairment allowance is required in this regard.

Cash at bank

Total bank balance of Rs. 0.696 million (2013: Rs. 15.248 million) placed with banks have a short term credit rating of at least A2 (2013: A1+).

37.2 Liquidity risk management

Liquidity risk reflects the Company's inability in raising funds to meet commitments. Management closely monitors the Company's liquidity and cash flow position. This includes maintenance of balance sheet liquidity ratios, debtors and creditors concentration both in terms of the overall funding mix and avoidance of undue reliance on large individual customers.

Ultimate responsibility for liquidity risk management rests with the Board of Directors, which has built an appropriate liquidity risk management framework for the management of the Company's short, medium and long-term funding and liquidity management requirements. The Company manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities, by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities. Included in note 20.1 to these financial statements is a listing of additional undrawn facilities that the Company has at its disposal to further reduce liquidity risk.

37.2.1 Liquidity and interest risk table

The following table details the Company's remaining contractual maturity for its non-derivative financial liabilities. The table has been drawn up based on the undiscounted cash flows of financial liabilities under long term financing agreements based on the earliest date on which the Company can be required to pay. For effective mark up rate please see relevant notes to these financial statements.

Financial liabilities in accordance with their contractual maturities are presented below:

	2014				
	Carrying amount	Contractual cash flows	Less then 1 year	Between 1 to 5 years	Above 5 years
	Rupees				
Long term financing	893,735,288	893,735,288	221,390,536	672,344,752	-
Liabilities against assets subject to finance lease	(628,349)	(628,349)	(628,349)	-	-
Staff retirement benefits - gratuity	12,729,603	12,729,603	-	12,729,603	-
Trade and other payables	193,055,786	193,055,786	193,055,786	-	-
Accrued mark-up	27,315,264	27,315,264	27,315,264	-	-
Running finance	261,175,926	261,175,926	261,175,926	-	-
	1,387,383,518	1,387,383,518	702,309,163	685,074,355	-

	2013				
	Carrying amount	Contractual cash flows	Less then 1 year	Between 1 to 5 years	Above 5 years
	Rupees				
Long term financing	1,208,121,053	1,208,121,053	220,291,677	833,373,349	154,456,027
Liabilities against assets subject to finance lease	10,796,073	10,796,073	4,540,246	6,255,827	-
Staff retirement benefits - gratuity	7,204,420	7,204,420	-	7,204,420	-
Trade and other payables	123,903,468	123,903,468	123,903,468	-	-
Accrued mark-up	33,005,516	33,005,516	33,005,516	-	-
Running finance	415,612,810	415,612,810	415,612,810	-	-
	1,798,643,340	1,798,643,340	797,353,717	846,833,596	154,456,027

37.3 Market risk

Market risk is the risk that changes with market prices, such as foreign exchange rates, interest rates and equity prices will affect the Company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return on risk.

37.3.1 Foreign currency risk management

Pak Rupee (PKR) is the functional currency of the Company and as a result currency exposure arises from transactions and balances in currencies other than PKR. The Company's potential currency exposure comprises;

- Transactional exposure in respect of non functional currency monetary items.

- Transactional exposure in respect of non functional currency expenditure and revenues.

The potential currency exposures are discussed below;

Transactional exposure in respect of non functional currency monetary items

Monetary items, including financial assets and liabilities, denominated in currencies other than the functional currency of the Company are periodically restated to PKR equivalent, and the associated gain or loss is taken to the profit and loss account. The foreign currency risk related to monetary items is managed as part of the risk management strategy.

Transactional exposure in respect of non functional currency expenditure and revenues

Certain operating and capital expenditure are incurred by the Company in currencies other than the functional currency. Certain sales revenue is earned in currencies other than the functional currency of the Company. These currency risks are managed as a part of overall risk management strategy. The Company does not enter into forward exchange contracts.

Exposure to currency risk

The Company is exposed to currency risk on import of raw materials, stores and spares and export of goods mainly denominated in US Dollar. The Company's exposure to foreign currency risk for US Dollar is as follows based on notional amounts:

	2014		2013	
	Rupees	**US$**	**Rupees**	**US$**
Short Term Financing	29,935,083	303,447	40,062,887	403,453
Balance sheet exposure	29,935,083	303,447	40,062,887	403,453

	Average rate		Reporting date mid spot rate	
	2014	2013	2014	2013
	Rupees			
The following significant exchange rates have been applied:				
Rupee to US $	98.85	95.20	98.65	99.30

Sensitivity analysis

A 10 percent weakening of the Pak Rupee against the USD at June 30, 2014 would have increased loss by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant. The analysis is performed on the same basis for June 30, 2013.

	2014	2013
Effect on loss for the year:	Rupees	Rupees
US $ to Rupee		
Increase in loss for the year	2,993,508	4,006,289

A 10 percent strengthening of the Pak Rupee against the US dollar at June 30, 2014 would have had the equal but opposite effect on foreign currency to the amounts shown above, on the basis that all other variables remain constant.

The sensitivity analysis prepared is not necessarily indicative of the effects on profit for the year and assets / liabilities of the Company.

37.3.2 Interest rate risk

The interest rate risk is the risk that the value of the financial instrument will fluctuate due to changes in the market interest rates. Sensitivity to interest rate risk arises from mismatches of financial assets and liabilities that mature in a given period.

At the reporting date, the profit, interest and mark-up rate profile of the Company's significant financial assets and liabilities is as follows:

Fixed rate financial instruments

At the reporting date, the Company does not have any fixed rate interest bearing financial instruments.

	2014 Percentage	2013 Percentage	2014 Rupees	2013 Rupees
Variable rate financial instruments				
Financial liabilities				
Long term financing	10.02% to 11.43%	12.05% to 10.23%	893,735,288	1,208,121,053
Short term finance	10.83 % to 12.93%	11.28 % to 15.97%	261,175,926	415,612,810
			1,154,911,214	1,623,733,863

Cash flow sensitivity analysis for variable rate instruments

A change of 100 basis points (bp) in profit / mark-up / interest rates at the balance sheet date would have decreased / (increased) loss for the year by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates, remain constant. The analysis is performed on the same basis for the year 2013.

	Increase Rupees	Decrease Rupees
At June 30, 2014		
Cash flow sensitivity - variable rate financial liabilities	11,549,112	(11,549,112)
At June 30, 2013		
Cash flow sensitivity - variable rate financial liabilities	(16,237,339)	16,237,339

37.4 Fair value of financial instruments

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction other than in forced or liquidation sale. The carrying value of all financial assets and liabilities reflected in the financial statements approximate their fair values.

37.5 CAPITAL RISK MANAGEMENT

The company's objectives when managing capital are to safeguard the company's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

The Company manages its capital structure which comprises capital and reserves by monitoring return on net assets and makes adjustments to it in the light of changes in economic conditions. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividend paid to shareholders, appropriation of amounts to reserves or/and issue new shares. Gearing ratio of the Company is as follows:

	2014	2013
	Rupees	
Total borrowings	1,377,534,917	1,634,529,936
Less: Cash and bank balance	847,908	15,972,007
Net debt	1,376,687,009	1,618,557,929
Total equity	1,278,187,584	688,956,446
Total capital	2,654,874,593	2,307,514,375
Gearing ratio	52%	70%

38. RE-CLASSIFICATION AND RE-ARRANGEMENTS

Corresponding figures have been re-classified and re-arranged wherever necessary to reflect more appropriate presentation of events and transactions for the purpose of comparison. Significant re-arrangements are as follows:

Nature	From	To	Reason	Rupees
Advance for purchase of land	Long term advances and deposits	Advances	For better presentation	41,000,000

The above re-arrangements/re-classifications do not affect retained earnings for the year ended June 30, 2013.

39. DATE OF AUTHORIZATION FOR ISSUE

These financial statements have been approved by the Board of Directors of the Company and authorized for issue on 29 September 2014.

40. GENERAL

Figures have been rounded off to the nearest Rupee.

CHIEF EXECUTIVE OFFICER

DIRECTOR

FORM OF PROXY
11th Annual General Meeting

I/We ______________________________ of ______________________ being a member of

Sitara Peroxide Limited and holder of ____________________________ Ordinary Shares as per share register

Folio No. ____________ hereby appoint ____

of ______________ another member of the company Folio No. __________ (or failing him/her __________

______________________________ of __________ who is also member of the Company,

Folio No. ____

For beneficial owners as per CDC List

CDC Participant I.D. No. ____________________ Sub-Account No. ____________________________

CNIC NO. | | | | | |■| | | | | | | |■| | or Passport No. ____________________

hereby appoint ________________________ of ______________________ who is also a member of the

Company, Folio No. __________ or failing him/her __________________ of __________________ who

is also a member of the Company, Folio No. ____________ as my/our proxy to vote and act for me/our behalf at the 11th Annual General Meeting of the Company to be held on Tuesday October 28, 2014 or at any adjornment thereof.

Five Rupees
Revenue Stamp

____

Signature of Shareholder
(The Signature should agree with the specimen registered with the Company)

Dated this __________ day of __________ 2014

Signature of Proxy ______________________

For beneficial owners as per CDC list

Witnesses:

1 Signature ______________________

Name ______________________

Address ______________________

CNIC NO. | | | | | |■| | | | | | | |■| |

or Passport No. ______________________

Witnesses:

2 Signature ______________________

Name ______________________

Address ______________________

CNIC NO. | | | | | |■| | | | | | | |■| |

or Passport No. ______________________

Note: Proxies, in order to be effective, must be received at the Company's Share Registrar's Office at M/s.THK Associates (Pvt) Limited, 2nd Floor, State Life Building No.3, Dr. Ziauddin Ahmed Road, Karachi-75530 not less than 48 hours before the meeting.

CDC Shareholders and their Proxies are each requested to attach an attested photocopy of their CNIC or Passport with the proxy form before submission to the Company.

Sitara Peroxide
Limited

601-602 Business Centre, Mumtaz Hassan Road,
Off. I.I. Chundrigar Road, Karachi-74000.
Ph: 021 32401373, 32413944